

# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2000**

•  
**The City of Fort Smith, Arkansas**

CITY OF FORT SMITH, ARKANSAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2000

Prepared By The  
CITY OF FORT SMITH, ARKANSAS  
FINANCE DEPARTMENT

CITY BOARD OF DIRECTORS

C. Ray Baker, Mayor  
Ken Pyle  
Nan Bartlett  
Rick Parrish  
Joe Davis  
Gary Campbell  
Ben Shipley  
Ken Pevehouse

CITY ADMINISTRATOR

Bill Harding

DIRECTOR OF FINANCE

Kara Bushkuhl

Our consideration of internal control would not necessarily disclose all matters in the internal control that might constitute a material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving internal control and its operation that we have reported to the management of the City in a separate letter dated May 1, 2001.

This report is intended solely for the information of management and the Arkansas General Assembly, and is not intended to be and should not be used by anyone other than these specified parties.

*Arthur Andersen LLP*

Dallas, Texas,  
May 1, 2001

## Table of Contents

	<u>Page</u>
<b>INTRODUCTORY SECTION (UNAUDITED):</b>	
Transmittal Letter .....	1
Certificate of Achievement for Excellence in Financial Reporting .....	13
Plan of Organization .....	14
<b>FINANCIAL SECTION:</b>	
Report of Independent Public Accountants .....	15
Combined Financial Statements - Overview (General Purpose Financial Statements)-	
Combined Balance Sheet - All Fund Types, Account Groups, and Discretely	
Presented Component Units .....	18
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -	
All Governmental Fund Types and Discretely Presented Component Units .....	22
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -	
Budget and Actual - General and Special Revenue Fund Types .....	24
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings -	
All Proprietary Fund Types, and Discretely Presented Component Units .....	26
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings -	
Budget and Actual - Water and Sewer Operating and Sanitation Operating Funds .....	28
Combined Statement of Cash Flows - All Enterprise Funds, Internal Service Funds,	
and Discretely Presented Component Units .....	30
Statement of Changes in Plan Net Assets - Municipal Court Retirement	
Pension Trust Fund .....	34
Notes to Financial Statements .....	35
Required Supplementary Information-	
Analysis of Funding Progress - Pension Plans .....	71
Combining, Individual Fund and Account Group Financial Statements and Schedules-	
Special Revenue Funds-	73
Combining Balance Sheet - All Special Revenue Funds .....	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -	
All Special Revenue Funds .....	76
Capital Projects Funds-	79
Combining Balance Sheet - All Capital Projects Funds .....	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -	
All Capital Projects Funds .....	81
Enterprise Funds-	83
Combining Balance Sheet - All Enterprise Funds .....	84
Combining Statement of Revenues, Expenses, and Changes in Retained Earnings -	
All Enterprise Funds .....	87
Combining Statement of Cash Flows - All Enterprise Funds .....	88
Combining Schedule of Revenues, Expenses, and Changes in Retained Earnings -	
Budget and Actual - Water and Sewer Operating and Sanitation Operating Funds ...	90
Internal Service Funds-	93
Combining Balance Sheet - All Internal Service Funds .....	94
Combining Statement of Revenues, Expenses, and Changes in Retained Earnings -	
All Internal Service Funds .....	95
Combining Statement of Cash Flows - All Internal Service Funds .....	96

(Continued on following page)



## Table of Contents

	<u>Page</u>
Fiduciary Funds-	99
Combining Balance Sheet - All Fiduciary Funds .....	100
Statement of Changes in Plan Net Assets - All Pension Trust Funds.....	101
Combining Statement of Changes in Assets and Liabilities - Payroll Fund.....	102
General Fixed Assets Account Group- .....	103
Schedule of General Fixed Assets - By Source .....	104
Schedule of General Fixed Assets - By Function and Activity .....	105
Schedule of Changes in General Fixed Assets - By Function and Activity .....	106
Discretely Presented Component Units-.....	107
Combining Balance Sheet – Component Unit Proprietary Funds .....	108
Combining Statement of Revenues, Expenses, and Changes in Retained Earnings-Component Unit Proprietary Funds .....	110
Combining Statement of Cash Flows – Component Unit Proprietary Funds .....	111
Combining Balance Sheet – Component Unit Governmental Funds .....	113
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Component Unit Governmental Funds.....	114
Supplementary Information-	
Water and Sewer Funds-	
Combining Balance Sheet - All Water and Sewer Funds .....	116
Combining Schedule of Revenues, Expenses, and Changes in Retained Earnings - All Water and Sewer Funds .....	120
Sanitation Funds-	
Combining Balance Sheet - All Sanitation Funds .....	122
Combining Schedule of Revenues, Expenses, and Changes in Retained Earnings - All Sanitation Funds .....	126
<b>SINGLE AUDIT SECTION:</b>	
Report of Independent Public Accountants on Compliance and Internal Control .....	129
Report of Independent Public Accountants on Compliance and Internal Control Related to Federal Programs and State Programs .....	131
Schedule of Expenditures of Federal and State Awards .....	133
Notes to Schedule of Expenditures of Federal and State Awards .....	135
Schedule of Findings and Questioned Costs.....	137

(Continued on following page)

## Table of Contents

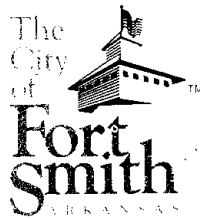
### Page

#### STATISTICAL SECTION (UNAUDITED):

##### Table

1	General Government Expenditures by Function -- Last Ten Fiscal Years .....	139
2	General Revenue by Source -- Last Ten Fiscal Years .....	140
3	Property Tax Levies and Collections -- Last Ten Fiscal Years .....	141
4	Assessed and Estimated Actual Value of Taxable Property -- Last Ten Fiscal Years ....	142
5	Direct Property Tax Rates and Tax Levies - All Direct and Overlapping Governments - Last Ten Fiscal Years .....	144
6	Special Assessment Collections -- Last Ten Fiscal Years .....	146
7	Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita -- Last Ten Fiscal Years .....	147
8	Computation of Legal Debt Margin -- Last Ten Fiscal Years .....	148
9	Computation of Direct and Overlapping Debt .....	150
10	Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures -- Last Ten Fiscal Years .....	151
11	Revenue Bond Debt Service Coverage -- Last Ten Fiscal Years .....	152
12	Property Value, Construction, and Bank Deposits -- Last Ten Fiscal Years .....	154
13	Principal Taxpayers .....	155
14	Insurance in Force .....	156
15	Demographic Statistics -- Last Ten Fiscal Years .....	158
16	Miscellaneous Statistical Data .....	159
17	Principal Employers by Number of Employees .....	160
18	Local Sales and Use Tax Collections -- Last Ten Fiscal Years .....	161
19	Solid Waste System Statistics .....	162
<b>OTHER:</b>		
	Independent Auditors' Report on Compliance with Arkansas State Statutes .....	164

This Page Intentionally Left Blank.



May 1, 2001

To the Honorable Mayor and Board of Directors,  
City of Fort Smith, Arkansas:

## Introduction

The Comprehensive Annual Financial Report of the City of Fort Smith, Arkansas (the "City"), for the fiscal year ended December 31, 2000, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City and its discretely presented component units. All disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in five sections: Introductory, Financial, Single Audit, Statistical, and Other. The Introductory Section includes this transmittal letter, the 1999 Certificate of Achievement for Excellence in Financial Reporting and the City's organization chart. The Financial Section includes the general purpose financial statements, the combining, individual fund and account group financial statements and schedules, supplementary information, and combining statements for discretely presented component units, as well as the report of independent public accountants on the financial statements and schedules. The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including the Schedule of Expenditures of Federal and State Awards and reports of independent public accountants on the internal control structure and compliance with applicable laws and regulations, are included in the Single Audit Section of this report. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis. The Other Section includes the Report of Independent Public Accountants on Compliance with Arkansas State Statutes.

This report includes all funds and account groups of the City and its component units. The City provides a full range of services. These services include police and fire protection; sanitation services; water and sewer utilities services; the maintenance and construction of highways, streets, and infrastructure; parks and recreation services; and planning, zoning, and general administrative services. In addition to general government activities, the City is accountable for the Municipal Court Retirement System; therefore, these activities are reported as part of the City. Although the Fort Smith Regional Airport, the Fort Smith Parking Authority, the Advertising and Promotion Commission, and the Fort Smith Public Library are legally separate from the City, the relationship between these entities and the City is such that the Airport, Parking Authority, Advertising and Promotion Commission, and the Public Library are included as a part of the reporting entity in the general purpose financial statements.

## Economic Condition and Outlook

The City is the economic and employment center of western Arkansas and eastern Oklahoma. According to the Chamber of Commerce data, new and expanding industries and businesses have created more than 20,000 new jobs in the past five years. Private capital investment by local businesses and industries has exceeded \$2.1 billion in the past five years. Fort Smith, the state's second largest city, enjoys a metropolitan area population of 202,000 and a residential population of 80,000. The unemployment rate for 2000 was 3.6% compared with 3.3% for 1999. The latest cost of living index figures indicate that Fort

623 Garrison Avenue  
P.O. Box 1908  
Fort Smith, Arkansas 72902  
(501) 785-2801  
Administrative Offices FAX (501) 784-2407

Smith's index is 86.4% based upon the U.S. composite index of 100. The 1% sales and use tax assessed by the City increased 5.2% for the year and the City's share of the Sebastian County 1% sales and use tax increased by 6.9% for the year. The ½% sales and use tax assessed by the City which became effective January 1, 1998, for the purpose of providing funding for the repayment of the \$45.655 million sales tax bond issue for the improvements to the civic center, main library, three branch libraries, and the riverfront park increased by 5.2% for the year. The estimated increase in sales tax between years was budgeted at 2.5%.

The City provides a full range of municipal services. In addition, the City provides contract water service to an additional 60,000 citizens in 12 suburban communities and contract wastewater treatment for two small suburban communities. The City's capacity for water production is approximately 45 million gallons per day.

## **Major Initiatives**

### For the Year

In 2000, the City's leadership produced many significant results. A partial selection of these results are as follows:

- Substantially completed the following major capital improvement projects which were approved by voters in November 1997:
  - new and expanded convention center (\$33.7 million)
  - new main branch and three neighborhood libraries (\$20.6 million)
  - riverfront improvements (\$6.3 million)

Completion is anticipated by the end of June 2001.

- Successfully implemented a Federal Emergency Management Agency ("FEMA") Flood Mitigation program, an "owner voluntary" program designed to acquire residential property which is prone to repeated flooding. Efforts were targeted around the Howard School area. Seventeen properties were acquired and removed from the flood way. In the Northside levee area an additional property was acquired and is awaiting demolition following the abatement of asbestos and lead-based paint.
- Management Services/City Clerk has implemented a daily procedure of optical imaging which has resulted in 95% of the documents/records being maintained on computer.
- Employed an internal financial analyst to continually update the utility rate model. Updated the five-year forecast for the four operating funds in time for utilization during the FY2001 budget process.
- Commenced the design and construction of all FY2000 street sales tax projects. Improved communications with consulting engineers by keeping them informed on construction problems as problems occur and by conducting project closure meetings with consultants as projects are completed. Contract management was enhanced to minimize construction change orders.
- Expedited the beginning of the construction of a new senior center on the south side of the community through innovative financing schedules and procedures. Negotiated a contract for a comprehensive plan for the City of Fort Smith which is currently awaiting review and approval by the Board.
- Improved the ability to provide law enforcement service to the City through more effective communications including the installation of the computer-assisted dispatch ("CAD") system to

accurately track calls for service and the installation of a modern records management system ("RMS") to assemble data generated by the CAD system.

- Improved recordkeeping in the areas of Commercial Occupancy consistent with maintaining an ISO Class II Fire Insurance Rating.
- Maintained the good condition of city streets by patching potholes within one day of receiving complaints. Insured the safety of the driving public by repairing traffic signal light malfunctions within two hours of receiving complaint.
- Completed the restoration of the tornado-damaged "P" Street wastewater treatment plant. Awarded construction contract for the reliability upgrades and additional treatment capacity improvements for the Lee Creek water treatment plant to meet system demands through the completion of the Lake Fort Smith water supply project. The City received the water quality certificate and continued the plans and engineering work for the Lake Fort Smith water supply project.
- Successfully completed all assignments within the Fort Smith Convention Center marketing plan for FY1999 and FY2000. By August 2000, \$420,000 contracted rental revenue had been secured for FY2001 and beyond.
- The landfill expansion has been completed, which will allow the landfill to meet the community's disposal needs for the next three years.
- Established Parks and Recreation as a separate department and began efforts to develop more park acreage and enhance recreation opportunities.
- Increased the level of Transit Department security by streamlining access to buildings, vehicle fuel cards, parts room, maintenance shop, fare counting, key control, computer room, personnel files, as well as drug and alcohol records. Also improved the reconciliation and accountability of fares collected versus passenger ridership.

#### For The Future

Through policy guidance of the City Board of Directors and in cooperation with the leadership of our educational institutions, business and industry, the City (the "Board") has enjoyed and shared the role of moving the community in a positive direction, over the last decade. To keep the momentum, the City will need to continue focusing its efforts on those policy issues facing the citizens and businesses in the coming year. Several of these policy issues and initiatives can be described as follows:

- Continue cooperative relationship with the Fort Chaffee Public Trust.
- Continue to improve communications with citizens and initiate marketing of city projects, programs, and services by publishing a quarterly citizen newsletter. Maximize the use of cable access channel in airing of city information and community events.
- Continue to fulfill the various commitments in the special voter-approved 1994 City-County operating sales tax to improve public safety, to meet the needs of senior citizens, as well as to improve parks, transit, and other services.
- Continue the installation of new Municipal Court software to improve the collection and disbursement of fines and court costs.
- Begin construction of the Phoenix Avenue West, Massard Road, and Kelley Highway widening projects.

- Continue maintenance of our rate model for the water/wastewater rate structure so that it is periodically adjusted to market conditions. This will allow adequate funding of the capital, operating and maintenance needs of the utility and in particular, the Lake Fort Smith expansion project and associated treatment plant and transmission line improvements.
- Begin construction of wet weather improvements to the P Street and Massard Creek Wastewater Treatment plants.
- Continue the development of in-house training programs for employees to prepare themselves for more responsible positions within the City.
- Continue to update the five-year forecast for the four operating funds on an annual basis to provide administration and the Board with timely financial information.
- Continue the improvement of the quality of the city street and drainage systems through development and implementation of projects in the 2001 Sales Tax Program as approved by the passage of a special sales tax for streets, bridges, and drainage improvements by voters in 1995.
- Continue to update and improve the administration of the clean-up of lands program.
- Continue to appropriately maintain the appearance of public property by mowing and maintaining over 350 acres of public right-of-way, detention ponds levees and City-owned lots.
- Continue to provide information regarding services offered by the Multi-cultural Center to minorities of all cultures by working with businesses and area institutions.
- Through the information and Technology Systems Department, continue to implement appropriate Open Source software to reduce single-source reliance, provide unique services, and build a standard-based network environment.
- Continue with the implementation of a strategic plan of financial alternatives to provide General Fund stability for the future.
- Continue with the acquisition and implementation of Mobile Data Computers in the Police Department's patrol cars and the installation of the wireless data network. Continue toward the networking of all fire stations.
- Continue to complete the design elements, permitting and financing for the Lake Fort Smith water supply project.
- Continue to adequately staff the needs of the present park facilities, as well as the additional park facilities and maintenance areas coming on line in 2001.
- Develop and provide significant social, economic, and cultural benefits through the opening and operation of the new Fort Smith Convention Center.
- Begin the implementation of capital improvements necessary to comply with public benefit conveyance for landfill acquisition from the federal government designed to meet the region's 50-year solid waste disposal needs.
- Construct a new Transit System transportation facility to meet the growing demands of the system.

## **Financial Information**

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

### Single Audit

As a recipient of federal and state financial awards, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As a part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial award programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended December 31, 2000, disclosed no instances of material weaknesses in the internal control structure or material violations of applicable laws and regulations.

### Budgeting Controls

In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by citizens as the governing body. Activities of the General Fund, the Street Fund in the Special Revenue Funds, the Water and Sewer Operating Fund, and the Sanitation Operating Fund are included in the annual appropriated budget. Project length financial plans are adopted for the Capital Projects Funds and Special Revenue Funds, excluding the Street Maintenance Fund. The level of budgetary control (that is, the level at which expenditures or expenses cannot legally exceed the appropriated amount) is established at the departmental level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbrances are reflected as a reservation of fund balance in the applicable funds. Unencumbered appropriations lapse at year-end.



### General Government Functions

The following schedule presents a summary of the Governmental Fund revenues (excluding component units) for the fiscal year ended December 31, 2000, and the amount and percentage of increases and decreases in relation to prior year:

<u>Revenue Source</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 1999</u>	<u>Percent of Increase (Decrease) Total</u>
Taxes	\$ 6,591,586	9.96%	\$ 348,614	10.09%
Sales taxes	35,805,269	54.11	6,684,047	193.55
Licenses and permits	1,374,696	2.08	186,045	5.39
Utility franchise fees	4,708,407	7.12	483,475	14.00
Intergovernmental	10,513,059	15.89	(5,214,165)	(150.99)
Fines and forfeitures	1,720,211	2.60	25,844	.75
Fees for services	340,266	.51	10,914	.32
Interest	3,998,181	6.04	625,413	18.11
Decrease in fair value of investments	(77,170)	(.12)	315,447	9.13
Contributions	1,032,084	1.56	17,232	.50
Miscellaneous	<u>166,504</u>	<u>.25</u>	<u>(29,460)</u>	<u>(.85)</u>
Total	<u>\$66,173,093</u>	<u>100.00%</u>	<u>\$3,453,406</u>	<u>100.00%</u>

Taxes are derived from the assessment of ad valorem taxes upon the appraised value of real and personal property within the City of Fort Smith. The increase between years is due to an increase in the appraised property values.

Sales taxes include the revenue generated by the 1% City sales and use tax which has been in effect since November 1985, the Sebastian County 1% sales and use tax which has been in effect since August 1994, and the 1/2% City sales and use tax which became effective in January 1998. Sales taxes in the City and the County were 5.2% and 6.9%, respectively, higher than the previous year due to economic growth. Total governmental fund sales tax increased by approximately 23% over 1999. This increase was attributable to the fact that the allocation of the City's share of the county sales and use tax was amended by the Board for 2000. The allocation for 2000 was 100% of the tax to the General Fund (\$12.6 million) as compared to the allocation for 1999 which was 60% to the General Fund (\$7.1 million) and 40% to Enterprise Funds (\$4.7 million).

The increase in utility franchise fees between years is due to an increase in franchise gross revenue as gas and electric rates were increased in 2000.

The decrease in intergovernmental revenue is due to the fact that there was no receipt of special turnback funds from the state for construction of the convention center in 2000. The City received \$4.8 million in 1999 from the state for this purpose. Also, total Economic Development Act ("EDA") funds received in 1999 totaled \$478,000 as compared to \$66,000 during 2000.

Interest revenue increased due to the larger balance of funds available for investment in the Sales Tax Fund and the Arkansas Local Police and Fire Retirement System ("LOPFI") Contribution Fund, special revenue funds. The sales tax fund generated approximately \$575,000 more investment income in 2000 as compared to 1999 and the law enforcement fund generated approximately \$133,000 more interest income during 2000 as compared to 1999.

The decrease in fair value of investments was significantly lower in 2000 as many of the securities which declined in value during 1999 matured. These securities were accounted for in the 1997 Sales and Use

Tax Construction Fund, a capital projects fund, and a significant amount of funds were expended for these projects during 2000.

The following schedule presents a summary of the Governmental Fund expenditures (excluding component units) for the fiscal year ended December 31, 2000, and the amounts and percentage of increases and decreases in relation to prior year:

<u>Function</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 1999</u>	<u>Percent of Increase (Decrease) Total</u>
General government	\$ 4,105,006	4.90%	\$ 562,239	2.96%
Public safety	19,895,794	23.77	3,001,818	15.78
Public works	13,514,651	16.14	(1,832,029)	(9.63)
Community services	2,411,123	2.88	305,987	1.61
Other	1,332,628	1.59	(416,618)	(2.19)
Capital outlay	34,461,654	41.16	16,889,127	88.78
Debt service	7,998,421	9.56	513,116	2.69
Total	<u>\$83,719,277</u>	<u>100.00%</u>	<u>\$19,023,640</u>	<u>100.00%</u>

Public safety expenditures increased between years due to the implementation of the pay plan. Personnel costs in 2000 exceeded 1999 personnel costs by approximately \$3 million. The additional costs include increased retirement contributions due to increased pay levels.

The decrease in public works expenditures is due to the total projects constructed in the sales tax fund being \$7.1 million for 2000 as compared to \$8.1 million for 1999. Additionally, infrastructure projects funded by grants decreased by approximately \$650,000 between years.

Capital outlay expenditures increased as a result of the construction of the three major projects funded by the 1997 Sales and Use Tax Revenue Bonds. Construction costs incurred for the convention center, library, and riverfront project totaled approximately \$32 million in 2000 as compared to approximately \$15.6 million in 1999.

#### General Fund Balance

The total fund balance of the General Fund at December 31, 2000, is \$4,021,183, compared to \$2,663,278 at December 31, 1999. The increase in the General Fund balance is due to the aforementioned reallocation of the City's share of the county local sales and use tax. The allocation authorized for 2000 was 100% to the General Fund as compared to only 60% allocated for 1999. The total county sales tax for the General Fund in 2000 totaled \$12.6 million and in 1999 totaled \$7.1 million. The General Fund balance is expected to increase in future years as the City revised its financial policy regarding fund balances. In accordance with the revised financial policy, the undesignated/unreserved General Fund ending fund balance shall be maintained at not less than 5% of total expenditures at December 31, 2000, at not less than 10% of total expenditures at December 31, 2001, and at not less than 15% of total expenditures at December 31, 2002, and thereafter.

#### Enterprise Operations

The City's enterprise operations are comprised of two separate and distinct activities: the water and sewer utilities and sanitation services.

Operating revenues of the Water and Sewer Fund increased by approximately 24.4% between years. A water rate increase and a sewer rate increase approved December 1, 1998, and effective January 1, 2000, and a dryer than normal summer are the primary reasons for the revenue increase. Water service

revenue increased approximately 33.1% and sewer service revenue increased approximately 15.8%. Consumption increased approximately 2.8% between years.

Water and sewer expenses increased by approximately 8.8% between years. Personnel services increased by 9.4% as a result of the implementation of the pay plan policy previously mentioned as well as additional positions. Contractual services and materials and supplies expense remained relatively stable between years. Depreciation expense in 2000 increased 16.8% over the 1999 charge due to the completed projects placed in service at the end of 1999.

Interest and fiscal charges increased by approximately \$951,000 due to the increased debt service requirements attributable to the 1999 Series Water and Sewer System Revenue Bonds.

Sanitation Fund operating revenues increased approximately 24% between years. The increase is primarily attributable to the solid waste disposal fee increases which became effective January 1, 2000. However, the revenue was not as high as anticipated due to the loss of the largest landfill customer during 2000. This customer accounted for approximately 8.5% of total sanitation fund operating revenues during 2000 as compared to 14.4% during 1999.

Sanitation Fund operating expenses increased approximately 1.5% between years. Personnel services increased approximately 10.9% due to the implementation of the new pay plan. Contractual services remained stable between years. Materials and supplies increased by approximately 10.9% due to the operating costs associated with servicing additional commercial collection customers as well as an increase in repair of equipment necessary for maintenance of the landfill. Depreciation expense decreased by approximately 20% in 2000 due to the decrease in the capacity used at the landfill during 2000 as compared to 1999.

#### Pension Trust Funds Operations

From December 21, 1976, to March 31, 1997, the City administered a single-employer public employees' retirement system ("PERS") and accounted for the plan as a separate Pension Trust Fund. The Plan was a noncontributory defined benefit plan that covered all full-time employees with the exception of fire, police, municipal court, and certain administrative employees who were eligible for the Fire Relief and Pension Plan, the Police Relief and Pension Plan, LOPFI, Municipal Court Retirement System, and the Deferred Compensation Plan, respectively. The City contributed 10% of covered payroll of the PERS. On April 1, 1997, the PERS was converted to a money purchase retirement plan, a defined contribution plan, that is qualified under Section 401(a) of the Internal Revenue Code. The ICMARC serves as administrator of the 401(a) plan. The City makes annual contributions equal to 10% of each covered employee earnings. The Plan covers all full-time, nonuniformed employees with the exception of the municipal judges and the municipal court clerk.

The present value of each PERS active member at March 31, 1997, was transferred to ICMARC in the participant's name. An annuity contract was purchased from an insurance company to continue to provide benefit payments to beneficiaries of PERS. The annuity contract provides that all beneficiaries will receive a 3% cost of living adjustment every three years beginning January 1, 1998. The remaining balance of approximately \$1.7 million was transferred to the Employee Insurance Fund to provide for future employee benefits. The present value of the deferred vested members of PERS may be withdrawn or rolled into a qualified plan at the member's choice.

The City continues to administer the Municipal Court Retirement System (the "Court System"). The operating revenues and operating expenses remained stable between 1999 and 2000. The municipal judges and the municipal court clerk are covered by this plan. There is currently one beneficiary of the Court System.

In September 1990, the City entered into an agreement with the LOPFI whereby administration of the Fire and Police pension plans was assumed by LOPFI. This action will provide the City's police and fire civil

service personnel with an actuarially funded pension plan and allow the City to provide the pension benefits due police officers and firefighters. Effective July 1, 1996, the Board of Directors approved increases in benefit payments for retirees and beneficiaries. The minimum monthly benefit payment was increased from \$350 to \$500 and a 3% cost of living adjustment will be granted every other year beginning July 1, 1996, and each two years thereafter. The City's contribution rates decreased in 2000 compared with 1999 from 23.36% to 21.92% for police participants and decreased from 31.65% to 29.46% for fire participants.

#### Debt Administration

At December 31, 2000, the City had revenue bonds outstanding of approximately \$55.9 million and sales and use tax bonds outstanding of approximately \$31.7 million. Five issues comprise this total.

#### Water and Sewer

In July 1994, the City issued \$27,215,000 of Water and Sewer Refunding and Construction Revenue Bonds which refunded the 1977 and 1987 Water and Sewer Revenue Bonds and included \$6.6 million in new debt. The additional bond proceeds were used to construct improvements to the water and sewer system. The projected maturity date is October 1, 2012. At December 31, 2000, \$20.805 million of bonds were outstanding. The 1994 Revenue Bonds are collateralized by the revenue of the water and sewer system and various special funds established by the authorizing bond ordinance. The 1994 Revenue Bonds are rated Aaa by Moody's Investor Service and AAA by Standard & Poor's Corporation. The issue is insured by the Municipal Bond Investor's Assurance Corporation.

In September 1999, the City issued \$26,415,000 of Water and Sewer System Revenue Bonds. The Bonds were issued to provide the first phase of funding for the expansion and improvements to the Lake Fort Smith water supply project as well as provide improvements to the Lee Creek water impoundment and improvements to the existing water transmission, storage, and distribution system. The projected maturity date is October 1, 2019. At December 31, 2000, \$25.59 million of bonds were outstanding. The 1999 Revenue Bonds are collateralized by the revenue of the water and sewer system and various special funds established by the authorizing bond ordinance. The 1999 Revenue Bonds are rated AAA by Standard & Poor's Corporation. The issue is insured by the Ambac Assurance Corporation. The 1999 Bonds have an underlying rating of A by Standard & Poor's Corporation.

#### Sanitation

In December 1994, the City issued \$3,560,000 of Solid Waste Revenue Bonds for the purpose of constructing a portion of the second phase of the City's landfill in accordance with the EPA's Subtitle "D" Regulations. The projected maturity date of the bonds is December 1, 2009. On April 21, 1998, the City issued \$3,055,000 Solid Waste Refunding Revenue Bonds, Series 1998 dated May 1, 1998. The Bonds were issued to finance the cost of advance refunding the City's outstanding Solid Waste Revenue Bonds, Series 1994. The Series 1994 Bonds are expected to be redeemed December 1, 2001, at 101%. The Series 1998 Bonds are due in annual installments at varying amounts through December 1, 2009. At December 31, 2000, \$2.53 million of Series 1998 Bonds were outstanding.

In June 1995, the City issued \$9,185,000 of Solid Waste Refunding and Construction Bonds for the purpose of redeeming the 1993 Temporary Solid Waste Revenue Bonds and for funding a portion of the construction costs of the second phase of the City's landfill in accordance with EPA's Subtitle "D" Regulations. The projected maturity date of the bonds is December 1, 2011. At December 31, 2000, \$6.985 million of bonds were outstanding.

### Governmental

On November 21, 1997, the City issued \$45,655,000 of Arkansas Sales and Use Tax Bonds, Series 1997, dated December 1, 1997. The Bonds were issued to finance the costs of acquiring and constructing civic center, library and park improvements. The principal amount of the Bonds was allocated among the three projects at \$20,405,000 for civic center improvements, \$19,840,000 for library improvements, and \$5,410,000 for park improvements. The Bonds are not general obligations of the City, but are special obligations payable solely from collections of a 1/2% sales and use tax levied by the City. The issuance of the Bonds and the pledging of the tax to the payment of principal of and interest on the Bonds was approved at a special election held October 28, 1997.

Revenue generated by the 1/2% sales tax, which became effective January 1, 1998, totaled \$7.7 million in 2000. At December 31, 2000, \$31.71 million of bonds were outstanding.

### Cash Management

Cash temporarily idle during the year was invested in demand deposits, certificates of deposit, and obligations of the U.S. Treasury in accordance with policies established by the Board of Directors.

The objective of the City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. At year-end, the City's total bank balance, excluding pension funds, was \$82,509,361 of pooled and nonpooled deposits and this balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name.

### Risk Management

The City manages self-insurance programs for providing workers' compensation and health and other medical benefits to employees, retirees, and their dependents and beneficiaries. The retained earnings (deficit) in the Employee Insurance Fund increased from \$(1,443,298) in 1999 to \$(2,025,265) in 2000 primarily as a result of an increase in claims between years.

The City's Workers' Compensation Fund had a retained earnings balance of \$958,038 at December 31, 2000, as compared to a balance of \$1,323,155 at December 31, 1999. The decrease is a result of a \$500,000 transfer to the Employee Insurance Fund during 2000.

### **Other Information**

#### Independent Audit

State statute requires an annual audit by independent certified public accountants. The accounting firm of Arthur Andersen LLP was selected by the City's Board of Directors. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and related OMB Circular A-133. The Report of Independent Public Accountants on the general purpose financial statements and the combining financial statements, and individual fund statements and schedules is included in the Financial Section of this report. The auditors' reports related specifically to the single audit are included in the Single Audit Section. The Report of Independent Public Accountants on the City's internal control system, including the practices and procedures required by Arkansas State statutes, is included in the Other Section.

## Awards

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fort Smith for its comprehensive annual financial report for the fiscal year ended December 31, 1999. The Certificate of Achievement is the highest form of recognition for excellence in local government financial reporting. This was the fifteenth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both accounting principles generally accepted in the United States and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Award for Distinguished Budget Presentation for its annual appropriated budget dated January 1, 2000. This was the twelfth consecutive year that the City has received this award. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, finance, planning, and organization.

## Acknowledgments

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

We also acknowledge the thorough, professional, and timely manner in which the annual audit was conducted by Arthur Andersen LLP.

In closing, we acknowledge the contributions of the Mayor and the Board of Directors who have consistently supported the City's goal of excellence in all aspects of financial management. Their encouragement and support is greatly appreciated.

Respectfully submitted,



Bill Harding,  
City Administrator



Kara Bushkuhl,  
Director of Finance

This Page Intentionally Left Blank.

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fort Smith,  
Arkansas

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 1999

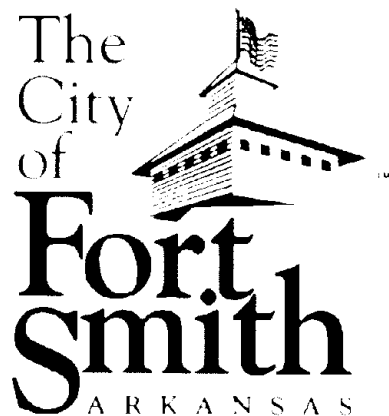
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



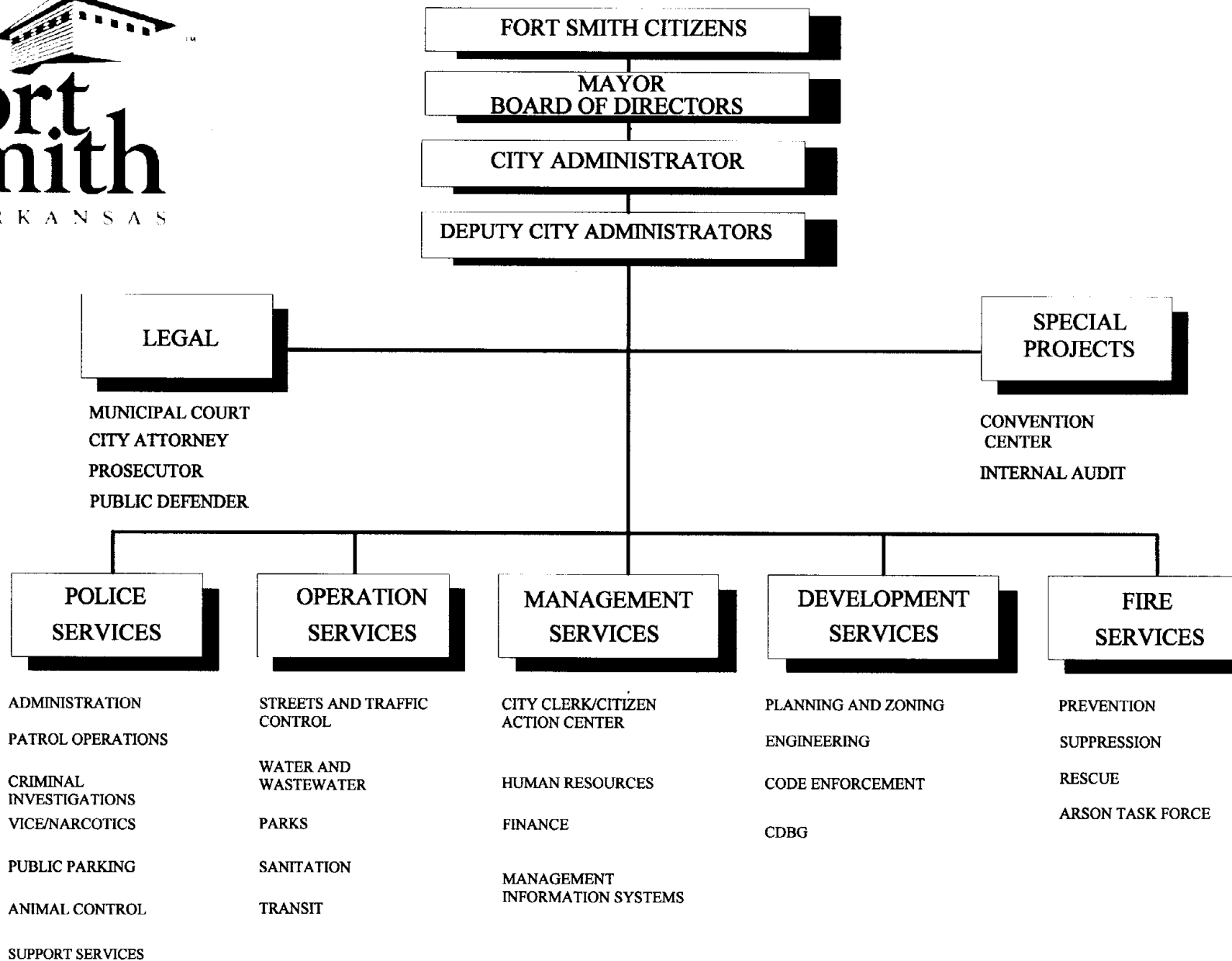
*Anne Spray Kinney*  
President

*Jeffrey L. Esser*  
Executive Director





# Plan of Organization





## Report of Independent Public Accountants

To the Honorable Mayor,  
Board of Directors and City Administrator,  
City of Fort Smith, Arkansas:

We have audited the accompanying general purpose financial statements of the City of Fort Smith, Arkansas, as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements and the statements and other information referred to below are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Airport Commission, a discretely presented proprietary component unit of the City which statements reflect total assets and total revenues of 93 percent and 90 percent, respectively, of the related combined totals of the discretely presented proprietary fund column or the Public Library, a discretely presented governmental component unit of the City which statements reflect total assets and total revenues of 90 percent and 85 percent, respectively, of the related combined totals of the discretely presented governmental fund column. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements, and Introductory and Statistical Sections, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. The schedule of expenditures of federal and state awards and the combining and individual fund financial statements have been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose

financial statements taken as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, accordingly, we express no opinion on them.

The Required Supplemental Information on page 71 is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. This information has not been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, accordingly, we express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated May 1, 2001, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

*Arthur Andersen LLP*

Dallas, Texas,  
May 1, 2001

This Page Intentionally Left Blank.

City of Fort Smith, Arkansas

Combined Balance Sheet -  
All Fund Types, Account Groups, and Discretely Presented Component Units  
December 31, 2000 (Note 1), with Comparative Totals for December 31, 1999  
(Continued on following page)

ASSETS AND OTHER DEBITS	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
CASH	\$ 613,852	\$ 145,513	\$ -	\$ -	\$ 1,675	\$ 347,093
INVESTMENTS	1,757,798	41,652,213	4,716,696	9,172,011	3,580,073	1,502,624
RECEIVABLES, net of allowance for uncollectibles:						
Taxes	5,029,089	2,717,910	-	-	-	-
Sales taxes	1,050,916	1,305,309	652,655	-	-	-
Accounts	308,864	3,391	-	-	2,973,334	19,201
Accrued interest	10,405	231,459	-	36,593	22,922	10,985
DUE FROM OTHER FUNDS	120,472	2,605	-	-	-	547
DUE FROM OTHER GOVERNMENTS	225,174	481,885	-	-	-	-
INVENTORY, at cost	-	-	-	-	574,776	24,535
PREPAID ITEMS	20,618	-	-	-	-	-
DEPOSITS	11,511	625,817	-	15,100	-	-
RESTRICTED ASSETS:						
Cash	-	-	-	-	77,626	-
Investments	-	-	-	-	37,332,158	-
Accounts receivable, net of allowance for uncollectibles	-	-	-	-	42,686	-
Accrued interest	-	-	-	-	351,893	-
Prepaid items and deposits	-	-	-	-	289,187	-
Due from other funds	-	-	-	-	7,369	-
FIXED ASSETS, net, where applicable, of accumulated depreciation	-	-	-	-	142,902,374	-
AMOUNT AVAILABLE IN DEBT SERVICE FUND	-	-	-	-	-	-
AMOUNT TO BE PROVIDED FOR RETIREMENT OF LONG-TERM LIABILITIES	-	-	-	-	-	-
DEFERRED CHARGES	-	-	-	-	493,202	-
Total Assets and Other Debits	<u>\$9,148,699</u>	<u>\$47,166,102</u>	<u>\$5,369,351</u>	<u>\$9,223,704</u>	<u>\$188,649,275</u>	<u>\$1,904,985</u>

The accompanying notes to financial statements are an integral part of this balance sheet.

Combined Balance Sheet -  
All Fund Types, Account Groups, and Discretely Presented Component Units  
(Continued)

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)		Component Units		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	Primary Government		Proprietary	Governmental	Reporting Entity	
			2000	1999			2000	1999
Trust and Agency								
\$ 874	\$ -	\$ -	\$ 1,109,007	\$ 353,449	\$ 125,805	\$ 759,385	\$ 1,994,197	\$ 1,684,913
847,212	-	-	63,228,627	84,950,899	2,400,000	289,335	65,917,962	87,363,098
-	-	-	7,746,999	7,969,072	-	26,376	7,773,375	7,984,439
-	-	-	3,008,880	2,819,074	-	139,667	3,148,547	2,936,084
30	-	-	3,304,820	2,793,648	41,407	65,186	3,411,413	2,917,752
4,707	-	-	317,071	340,049	46,304	2,208	365,583	355,572
-	-	-	123,624	192,372	-	-	123,624	192,372
-	-	-	707,059	528,269	-	-	707,059	528,269
-	-	-	599,311	482,274	3,263	5,000	607,574	490,570
-	-	-	20,618	50,264	41,543	41,592	103,753	203,092
-	-	-	652,428	442,147	-	-	652,428	442,147
-	-	-	77,626	51,134	742,944	-	820,570	301,438
-	-	-	37,332,158	42,280,314	5,144,594	-	42,476,752	47,875,841
-	-	-	42,686	7,792	276,364	-	319,050	423,374
-	-	-	351,893	219,472	172,055	-	523,948	262,974
-	-	-	289,187	977	-	-	289,187	977
-	-	-	7,369	973,441	-	-	7,369	973,441
-	93,307,623	-	236,209,997	191,565,193	29,704,086	462,230	266,376,313	219,625,148
-	-	5,248,492	5,248,492	5,113,136	-	-	5,248,492	5,113,136
-	-	29,251,873	29,251,873	35,520,186	-	-	29,251,873	35,520,186
-	-	-	493,202	529,031	299,727	-	792,929	927,102
<u>\$852,823</u>	<u>\$93,307,623</u>	<u>\$34,500,365</u>	<u>\$390,122,927</u>	<u>\$377,182,193</u>	<u>\$38,998,092</u>	<u>\$1,790,979</u>	<u>\$430,911,998</u>	<u>\$416,121,925</u>

City of Fort Smith, Arkansas

**Combined Balance Sheet –  
All Fund Types, Account Groups, and Discretely Presented Component Units  
December 31, 2000 (Note 1), with Comparative Totals for December 31, 1999  
(Continued on Following Page)**

	Governmental Fund Types				Proprietary Fund Types	
<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>
<b>LIABILITIES:</b>						
Accounts payable and accrued liabilities	\$1,053,726	\$ 1,037,768	\$ -	\$1,686,525	\$ 1,033,018	\$ 136,850
Retainage payable	73,116	174,665	-	1,856,833	-	-
Liability for accrued vacation and sick leave	-	-	-	-	875,311	-
Liability for landfill closure and postclosure care	-	-	-	-	2,023,997	-
Other long-term obligations	-	-	-	807,867	-	-
Payable from restricted assets-						
Accrued interest	-	-	120,859	-	664,984	-
Revenue bonds payable, current	-	-	-	-	2,805,000	-
Accounts payable and accrued liabilities	-	-	-	-	1,929,212	-
Deposits	-	-	-	-	838,556	-
Retainage payable	-	-	-	-	204,761	-
Due to other funds	4,393	123,624	-	-	2,976	-
Due to other governments	9	-	-	-	-	-
Liability for insured events	-	-	-	-	-	1,140,396
Deferred revenues	3,907,090	3,637,419	-	-	-	-
Revenue bonds payable, net	-	-	-	-	51,721,415	-
Sales and use tax bonds payable	-	-	-	-	-	-
Other	89,182	2,323	-	-	25,265	-
<b>Total Liabilities</b>	<b>5,127,516</b>	<b>4,975,799</b>	<b>120,859</b>	<b>4,351,225</b>	<b>62,124,495</b>	<b>1,277,246</b>
<b>EQUITY AND OTHER CREDITS:</b>						
Contributed capital-						
From other municipalities or governmental units	-	-	-	-	11,888,433	1,697,495
In aid of construction	-	-	-	-	32,737,338	-
Investment in general fixed assets	-	-	-	-	-	-
Retained earnings-						
Reserved for bond retirement	-	-	-	-	5,741,724	-
Reserved for landfill closure and postclosure care	-	-	-	-	3,016,946	-
Reserved for asset replacement	-	-	-	-	619,521	-
Reserved for construction	-	-	-	-	305,836	-
Reserved for health insurance and workers' compensation	-	-	-	-	-	(1,067,227)
Unreserved	-	-	-	-	72,214,982	(2,529)
Fund balances-						
Reserved for encumbrances	1,163,855	44,802	-	-	-	-
Reserved for prepaid items	20,618	-	-	-	-	-
Reserved for subsequent years' expenditures	-	27,865,010	-	-	-	-
Reserved for Employees' Pension Benefits	-	-	-	-	-	-
Reserved for bond retirement	-	-	5,248,492	-	-	-
Unreserved-						
Designated for subsequent years' expenditures	265,793	14,280,491	-	4,872,479	-	-
Undesignated	2,570,917	-	-	-	-	-
<b>Total Equity and Other Credits</b>	<b>4,021,183</b>	<b>42,190,303</b>	<b>5,248,492</b>	<b>4,872,479</b>	<b>126,524,780</b>	<b>627,739</b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$9,148,699</b>	<b>\$47,166,102</b>	<b>\$5,369,351</b>	<b>\$9,223,704</b>	<b>\$188,649,275</b>	<b>\$1,904,985</b>

The accompanying notes to financial statements are an integral part of this balance sheet.

**Combined Balance Sheet -  
All Fund Types, Account Groups, and Discretely Presented Component Units  
(Continued)**

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)		Component Units		Totals (Memorandum Only)	
	General	General	Primary Government		Proprietary	Governmental	Reporting Entity	
	Fixed Assets	Long-Term Debt	2000	1999			2000	1999
Trust and Agency								
\$ 874	\$ -	\$ -	\$ 4,948,761	\$ 6,076,848	\$ 110,097	\$ 36,383	\$ 5,095,241	\$ 6,812,903
-	-	-	2,104,614	926,719	10,789	-	2,115,403	926,719
-	-	2,611,365	3,486,676	3,182,584	-	-	3,486,676	3,194,367
-	-	-	2,023,997	1,694,287	-	-	2,023,997	1,694,287
-	-	179,000	986,867	792,458	-	-	986,867	792,458
-	-	-	785,843	834,233	87,225	-	873,068	921,664
-	-	-	2,805,000	2,690,000	70,000	-	2,875,000	2,755,000
-	-	-	1,929,212	1,012,553	160,584	-	2,089,796	1,012,553
-	-	-	838,556	817,385	-	-	838,556	817,385
-	-	-	204,761	257,987	-	-	204,761	257,987
-	-	-	130,993	1,165,813	-	-	130,993	1,165,813
-	-	-	9	9	-	-	9	9
-	-	-	1,140,396	1,288,818	-	-	1,140,396	1,288,818
-	-	-	7,544,509	7,129,073	-	-	7,544,509	7,129,073
-	-	-	51,721,415	54,392,038	7,086,180	-	58,807,595	61,537,629
-	-	31,710,000	31,710,000	38,035,000	-	-	31,710,000	38,035,000
-	-	-	116,770	118,066	422,460	-	539,230	650,631
<u>874</u>	<u>-</u>	<u>34,500,365</u>	<u>112,478,379</u>	<u>120,413,871</u>	<u>7,947,335</u>	<u>36,383</u>	<u>120,462,097</u>	<u>128,992,296</u>
-	-	-	13,585,928	13,971,517	23,540,933	-	37,126,861	35,224,079
-	-	-	32,737,338	32,703,047	-	-	32,737,338	32,703,047
-	93,307,623	-	93,307,623	57,929,455	-	462,230	93,769,853	58,776,528
-	-	-	5,741,724	5,425,367	486,406	-	6,228,130	5,911,773
-	-	-	3,016,946	2,687,236	-	-	3,016,946	2,687,236
-	-	-	619,521	583,164	-	-	619,521	583,164
-	-	-	305,836	253,605	-	-	305,836	253,605
-	-	-	(1,067,227)	(120,143)	-	-	(1,067,227)	(120,143)
-	-	-	72,212,453	67,432,914	7,023,418	-	79,235,871	73,967,649
-	-	-	1,208,657	1,654,329	-	-	1,208,657	1,654,329
-	-	-	20,618	50,250	-	41,592	62,210	83,097
-	-	-	27,865,010	19,633,636	-	1,250,774	29,115,784	19,658,636
851,949	-	-	851,949	796,470	-	-	851,949	796,470
-	-	-	5,248,492	5,113,136	-	-	5,248,492	5,113,136
-	-	-	19,418,763	47,858,619	-	-	19,418,763	49,041,303
-	-	-	2,570,917	795,720	-	-	2,570,917	795,720
<u>851,949</u>	<u>93,307,623</u>	<u>-</u>	<u>277,644,548</u>	<u>256,768,322</u>	<u>31,050,757</u>	<u>1,754,596</u>	<u>310,449,901</u>	<u>287,129,629</u>
<u>\$852,823</u>	<u>\$93,307,623</u>	<u>\$34,500,365</u>	<u>\$390,122,927</u>	<u>\$377,182,193</u>	<u>\$38,998,092</u>	<u>\$1,790,979</u>	<u>\$430,911,998</u>	<u>\$416,121,925</u>



City of Fort Smith, Arkansas

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**All Governmental Fund Types and Discretely Presented Component Units**  
**For the Fiscal Year Ended December 31, 2000 (Note 1),**  
**With Comparative Totals for the Fiscal Year Ended December 31, 1999**  
**(Continued on Following Page)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>REVENUES:</b>				
Taxes	\$ 3,879,943	\$ 2,711,643	\$ -	\$ -
Sales taxes	12,624,941	15,453,552	7,726,776	-
Licenses and permits	1,197,326	-	-	177,370
Utility franchise fees	4,708,407	-	-	-
Intergovernmental	2,491,995	8,021,064	-	-
Fines and forfeitures	1,629,990	90,221	-	-
Fees for services	340,266	-	-	-
Interest	57,856	2,194,545	407,001	1,338,779
Decrease in fair value of investments	-	-	-	(77,170)
Contributions	-	827,858	-	204,226
Miscellaneous	126,775	38,638	-	1,091
<b>Total Revenues</b>	<b>27,057,499</b>	<b>29,337,521</b>	<b>8,133,777</b>	<b>1,644,296</b>
<b>EXPENDITURES:</b>				
Current-				
General government	3,430,419	674,587	-	-
Public safety	16,087,137	3,808,657	-	-
Public works	-	13,312,097	-	202,554
Community services	2,306,980	104,143	-	-
Other	1,283,947	48,681	-	-
Capital outlay	1,964,141	530,077	-	31,967,436
Debt service-				
Principal	-	-	6,325,000	-
Interest and fiscal charges	-	-	1,673,421	-
<b>Total Expenditures</b>	<b>25,072,624</b>	<b>18,478,242</b>	<b>7,998,421</b>	<b>32,169,990</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,984,875</b>	<b>10,859,279</b>	<b>135,356</b>	<b>(30,525,694)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	1,525,500	-	-	915,326
Operating transfer from component units	8,951	-	-	-
Operating transfers out	(2,041,421)	(1,515,405)	-	-
Operating transfers to component units	(120,000)	-	-	-
Operating transfers to primary government	-	-	-	-
Loss on disposition of assets	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(626,970)</b>	<b>(1,515,405)</b>	<b>-</b>	<b>915,326</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES, AND OTHER FINANCING USES</b>	<b>1,357,905</b>	<b>9,343,874</b>	<b>135,356</b>	<b>(29,610,368)</b>
<b>FUND BALANCES, beginning of year</b>	<b>2,663,278</b>	<b>32,846,429</b>	<b>5,113,136</b>	<b>34,482,847</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 4,021,183</b>	<b>\$42,190,303</b>	<b>\$5,248,492</b>	<b>\$ 4,872,479</b>

The accompanying notes to financial statements are an integral part of this statement.

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -  
All Governmental Fund Types and Discretely Presented Component Units  
(Continued)**

Totals (Memorandum Only) Primary Government		Component Units  Governmental	Totals (Memorandum Only) Reporting Entity	
December 31, 2000	December 31, 1999		December 31, 2000	December 31, 1999
\$ 6,591,586	\$ 6,242,972	\$1,100,380	\$ 7,691,966	\$ 7,272,906
35,805,269	29,121,222	757,496	36,562,765	29,815,544
1,374,696	1,188,651	-	1,374,696	1,188,651
4,708,407	4,224,932	-	4,708,407	4,224,932
10,513,059	15,727,224	254,666	10,767,725	15,918,701
1,720,211	1,694,367	-	1,720,211	1,694,367
340,266	329,352	59,803	400,069	400,735
3,998,181	3,372,768	35,481	4,033,662	3,405,604
(77,170)	(392,617)	(40,915)	(118,085)	(392,529)
1,032,084	1,014,852	29,489	1,061,573	1,052,727
<u>166,504</u>	<u>195,964</u>	<u>13,093</u>	<u>179,597</u>	<u>197,363</u>
<u>66,173,093</u>	<u>62,719,687</u>	<u>2,209,493</u>	<u>68,382,586</u>	<u>64,779,001</u>
4,105,006	3,542,767	-	4,105,006	3,542,767
19,895,794	16,893,976	-	19,895,794	16,893,976
13,514,651	15,346,680	-	13,514,651	15,346,680
2,411,123	2,105,136	1,886,275	4,297,398	3,838,826
1,332,628	1,749,246	320,357	1,652,985	2,063,677
34,461,654	17,572,527	-	34,461,654	17,572,527
6,325,000	5,520,000	-	6,325,000	5,520,000
<u>1,673,421</u>	<u>1,965,305</u>	<u>-</u>	<u>1,673,421</u>	<u>1,965,305</u>
<u>83,719,277</u>	<u>64,695,637</u>	<u>2,206,632</u>	<u>85,925,909</u>	<u>66,743,758</u>
<u>(17,546,184)</u>	<u>(1,975,950)</u>	<u>2,861</u>	<u>(17,543,323)</u>	<u>(1,964,757)</u>
2,440,826	4,153,411	-	2,440,826	4,153,411
8,951	8,847	-	8,951	8,847
(3,556,826)	(1,571,743)	-	(3,556,826)	(1,571,743)
(120,000)	(110,000)	-	(120,000)	(110,000)
-	-	(8,951)	(8,951)	(8,847)
<u>-</u>	<u>-</u>	<u>(326,918)</u>	<u>(326,918)</u>	<u>-</u>
<u>(1,227,049)</u>	<u>2,480,515</u>	<u>(335,869)</u>	<u>(1,562,918)</u>	<u>2,471,668</u>
(18,773,233)	504,565	(333,008)	(19,106,241)	506,911
<u>75,105,690</u>	<u>74,601,125</u>	<u>2,087,604</u>	<u>77,193,294</u>	<u>76,686,383</u>
<u>\$56,332,457</u>	<u>\$75,105,690</u>	<u>\$1,754,596</u>	<u>\$58,087,053</u>	<u>\$77,193,294</u>

City of Fort Smith, Arkansas

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual - General and Special Revenue Fund Types  
For the Fiscal Year Ended December 31, 2000 (Note 1)  
(Continued on Following Page)

	General Fund				
	Actual	Adjustments to Budgetary Basis	Actual on a Budgetary Basis	Budget	Variance- Favorable (Unfavorable)
<b>REVENUES:</b>					
Taxes	\$ 3,879,943	\$ -	\$ 3,879,943	\$ 3,785,570	\$ 94,373
Sales taxes	12,624,941	-	12,624,941	12,611,532	13,409
Licenses and permits	1,197,326	-	1,197,326	1,057,000	140,326
Utility franchise fees	4,708,407	-	4,708,407	4,627,540	80,867
Intergovernmental	2,491,995	-	2,491,995	2,555,312	(63,317)
Fines and forfeitures	1,629,990	-	1,629,990	2,040,000	(410,010)
Fees for services	340,266	-	340,266	278,500	61,766
Interest	57,856	-	57,856	50,000	7,856
Miscellaneous	126,775	-	126,775	135,163	(8,388)
Total Revenues	<u>27,057,499</u>	<u>-</u>	<u>27,057,499</u>	<u>27,140,617</u>	<u>(83,118)</u>
<b>EXPENDITURES:</b>					
Current-					
General government-					
Administration	1,890,700	7,723	1,898,423	1,997,820	99,397
Legal	1,085,335	5,400	1,090,735	1,105,915	15,180
Finance	454,384	15,758	470,142	484,010	13,868
Public safety-					
Police	9,329,335	9,958	9,339,293	9,884,563	545,270
Fire	6,757,802	27,117	6,784,919	6,813,866	28,947
Public works-					
Operations	-	-	-	-	-
Street	-	-	-	-	-
Traffic control	-	-	-	-	-
Community services-					
Health	59,954	-	59,954	76,405	16,451
Parks and recreation	2,247,026	22,614	2,269,640	2,603,213	333,573
Other	1,283,947	230,858	1,514,805	1,851,800	336,995
Capital outlay	<u>1,964,141</u>	<u>844,427</u>	<u>2,808,568</u>	<u>2,978,154</u>	<u>169,586</u>
Total Expenditures	<u>25,072,624</u>	<u>1,163,855</u>	<u>26,236,479</u>	<u>27,795,746</u>	<u>1,559,267</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,984,875</u>	<u>(1,163,855)</u>	<u>821,020</u>	<u>(655,129)</u>	<u>1,476,149</u>
OTHER FINANCING SOURCES (USES):					
Operating transfers in	1,525,500	-	1,525,500	1,535,500	(10,000)
Operating transfers in - component units	8,951	-	8,951	9,000	(49)
Operating transfers out	(2,041,421)	-	(2,041,421)	(2,041,421)	-
Operating transfers out - component units	<u>(120,000)</u>	<u>-</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(626,970)</u>	<u>-</u>	<u>(626,970)</u>	<u>(616,921)</u>	<u>(10,049)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES, AND OTHER FINANCING USES	<u>1,357,905</u>	<u>(1,163,855)</u>	<u>194,050</u>	<u>(1,272,050)</u>	<u>1,466,100</u>
FUND BALANCES, beginning of year	<u>2,663,278</u>	<u>-</u>	<u>2,663,278</u>	<u>2,663,278</u>	<u>-</u>
FUND BALANCES, end of year	<u>\$ 4,021,183</u>	<u>\$ (1,163,855)</u>	<u>\$ 2,857,328</u>	<u>\$ 1,391,228</u>	<u>\$ 1,466,100</u>

The accompanying notes to financial statements are an integral part of this statement.

Combined Statement Of Revenues, Expenditures, And Changes In Fund Balances -  
Budget And Actual - General And Special Revenue Fund Types  
(Continued)

Special Revenue				
(Street Maintenance Fund Only)				
Actual	Adjustments to Budgetary Basis	Actual on a Budgetary Basis	Budget	Variance- Favorable (Unfavorable)
\$ 1,162,145	\$ -	\$ 1,162,145	\$ 1,135,550	\$ 26,595
-	-	-	-	-
-	-	-	-	-
3,615,346	-	3,615,346	3,130,314	485,032
-	-	-	-	-
312,249	-	312,249	240,000	72,249
28,112	-	28,112	15,000	13,112
<u>5,117,852</u>	<u>-</u>	<u>5,117,852</u>	<u>4,520,864</u>	<u>596,988</u>
243,802	4,964	248,766	265,939	17,173
37,950	-	37,950	46,000	8,050
392,835	27,672	420,507	438,676	18,169
-	-	-	-	-
268,069	-	268,069	290,230	22,161
1,860,131	618	1,860,749	2,200,570	339,821
1,187,629	1,367	1,188,996	1,391,295	202,299
-	-	-	-	-
97,500	10,181	107,681	112,896	5,215
-	-	-	5,000	5,000
357,492	-	357,492	377,172	19,680
<u>4,445,408</u>	<u>44,802</u>	<u>4,490,210</u>	<u>5,127,778</u>	<u>637,568</u>
<u>672,444</u>	<u>(44,802)</u>	<u>627,642</u>	<u>(606,914)</u>	<u>1,234,556</u>
-	-	-	-	-
-	-	-	-	-
(32,000)	-	(32,000)	(32,000)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(32,000)</u>	<u>-</u>	<u>(32,000)</u>	<u>(32,000)</u>	<u>-</u>
640,444	(44,802)	595,642	(638,914)	1,234,556
4,851,399	-	4,851,399	4,851,399	-
<u>\$ 5,491,843</u>	<u>\$ (44,802)</u>	<u>\$ 5,447,041</u>	<u>\$ 4,212,485</u>	<u>\$1,234,556</u>

City of Fort Smith, Arkansas

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings -  
All Proprietary Fund Types, and Discretely Presented Component Units  
For the Fiscal Year Ended December 31, 2000 (Note 1),  
With Comparative Totals for the Fiscal Year Ended December 31, 1999  
(Continued on Following Page)

	Proprietary Fund Types	
	Enterprise	Internal Service
OPERATING REVENUES:		
Water service	\$12,296,756	\$ -
Sewer service	7,952,646	-
Charges for services	10,226,344	394,754
Contributions	-	4,007,695
Other	31,943	-
Total Operating Revenues	30,507,689	4,402,449
OPERATING EXPENSES:		
Personnel services	12,026,540	-
Contractual services	2,263,982	355,491
Materials and supplies	4,400,813	413,891
Heat, light, and power	1,000,315	-
Depreciation	7,674,586	-
Premium payments	-	354,716
Claims for insured events	-	4,398,830
Miscellaneous	-	-
Total Operating Expenses	27,366,236	5,522,928
OPERATING INCOME (LOSS)	3,141,453	(1,120,479)
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	2,693,819	154,258
Increase (decrease) in fair value of investments	54,295	-
Interest expense and fiscal charges	(3,089,784)	-
Other nonoperating revenues, net	158,538	-
Total Nonoperating Revenues, Net	(183,132)	154,258
Income (Loss) Before Operating Transfers	2,958,321	(966,221)
OPERATING TRANSFERS IN	12,251,586	500,000
OPERATING TRANSFER FROM PRIMARY GOVERNMENT	-	-
OPERATING TRANSFERS OUT	(11,135,586)	(500,000)
Net Income (Loss)	4,074,321	(966,221)
ADD BACK DEPRECIATION ON CONTRIBUTED ASSETS	1,459,010	-
RETAINED EARNINGS, beginning of year	76,365,678	(103,535)
RETAINED EARNINGS, end of year	\$81,899,009	\$ (1,069,756)

The accompanying notes to financial statements are an integral part of this statement.

**Combined Statement of Revenues, Expenses, and Changes in Retained Earnings -  
All Proprietary Fund Types, and Discretely Presented Component Units  
(Continued)**

Totals (Memorandum Only) Primary Government		Component Units  Proprietary	Totals (Memorandum Only) Reporting Entity	
December 31, 2000	December 31, 1999		December 31, 2000	December 31, 1999
\$12,296,756	\$ 9,240,470	\$ -	\$12,296,756	\$ 9,240,470
7,952,646	6,870,186	-	7,952,646	6,870,186
10,621,098	8,649,119	1,820,537	12,441,635	10,139,827
4,007,695	3,378,364	-	4,007,695	3,378,364
31,943	33,698	368,401	400,344	379,168
<u>34,910,138</u>	<u>28,171,837</u>	<u>2,188,938</u>	<u>37,099,076</u>	<u>30,008,015</u>
12,026,540	10,940,691	716,999	12,743,539	11,630,861
2,619,473	2,608,134	538,797	3,158,270	2,941,598
4,814,704	4,598,956	68,172	4,882,876	4,726,251
1,000,315	887,061	88,269	1,088,584	972,512
7,674,586	7,308,494	1,694,443	9,369,029	8,944,296
354,716	180,565	-	354,716	180,565
4,398,830	3,925,079	-	4,398,830	3,925,079
-	-	46,666	46,666	45,737
<u>32,889,164</u>	<u>30,448,980</u>	<u>3,153,346</u>	<u>36,042,510</u>	<u>33,366,899</u>
<u>2,020,974</u>	<u>(2,277,143)</u>	<u>(964,408)</u>	<u>1,056,566</u>	<u>(3,358,884)</u>
2,848,077	1,512,065	228,458	3,076,535	1,725,275
54,295	(31,004)	-	54,295	(31,004)
(3,089,784)	(2,166,075)	(136,861)	(3,226,645)	(2,286,773)
158,538	4,967,050	(85,011)	73,527	5,142,272
<u>(28,874)</u>	<u>4,282,036</u>	<u>6,586</u>	<u>(22,288)</u>	<u>4,549,770</u>
1,992,100	2,004,893	(957,822)	1,034,278	1,190,886
12,751,586	8,611,742	120,000	12,871,586	8,611,742
-	-	-	-	110,000
<u>(11,635,586)</u>	<u>(11,193,410)</u>	<u>-</u>	<u>(11,635,586)</u>	<u>(11,193,410)</u>
3,108,100	(576,775)	(837,822)	2,270,278	(1,280,782)
1,459,010	-	1,326,505	2,785,515	1,277,419
<u>76,262,143</u>	<u>76,838,918</u>	<u>7,021,141</u>	<u>83,283,284</u>	<u>83,286,647</u>
<u>\$80,829,253</u>	<u>\$76,262,143</u>	<u>\$7,509,824</u>	<u>\$88,339,077</u>	<u>\$83,283,284</u>

City of Fort Smith, Arkansas

**Combined Statement of Revenues, Expenses, and Changes in Retained Earnings -  
Budget and Actual - Water and Sewer Operating and Sanitation Operating Funds  
For the Fiscal Year Ended December 31, 2000 (Note 1)**

	<u>Actual</u>	<u>Adjustments to Budgetary Basis</u>	<u>Actual on a Budgetary Basis</u>	<u>Budget</u>	<u>Variance- Favorable (Unfavorable)</u>
<b>OPERATING REVENUES:</b>					
Water service	\$12,296,756	\$ -	\$12,296,756	\$12,489,310	\$ (192,554)
Sewer service	7,952,646	-	7,952,646	8,098,730	(146,084)
Charges for services	10,226,344	-	10,226,344	11,831,050	(1,604,706)
Other	31,943	-	31,943	35,000	(3,057)
Total Operating Revenues	<u>30,507,689</u>	<u>-</u>	<u>30,507,689</u>	<u>32,454,090</u>	<u>(1,946,401)</u>
<b>OPERATING EXPENSES:</b>					
Personnel services	11,910,924	-	11,910,924	12,596,738	685,814
Contractual services	2,148,670	240,831	2,389,501	2,719,103	329,602
Materials and supplies	4,055,006	92,249	4,147,255	4,312,838	165,583
Heat, light, and power	1,000,315	-	1,000,315	1,012,950	12,635
Depreciation	7,674,586	(7,674,586)	-	-	-
Total Operating Expenses	<u>26,789,501</u>	<u>(7,341,506)</u>	<u>19,447,995</u>	<u>20,641,629</u>	<u>1,193,634</u>
OPERATING INCOME (LOSS)	<u>3,718,188</u>	<u>7,341,506</u>	<u>11,059,694</u>	<u>11,812,461</u>	<u>(752,767)</u>
<b>NONOPERATING REVENUES:</b>					
Interest revenue	324,093	-	324,093	417,400	(93,307)
Other nonoperating revenues, net	265,267	-	265,267	125,000	140,267
Total Nonoperating Revenues, Net	<u>589,360</u>	<u>-</u>	<u>589,360</u>	<u>542,400</u>	<u>46,960</u>
Income Before Operating Transfers	4,307,548	7,341,506	11,649,054	12,354,861	(705,807)
OPERATING TRANSFERS IN	1,210,000	-	1,210,000	1,210,000	-
OPERATING TRANSFERS OUT	<u>(11,135,586)</u>	<u>-</u>	<u>(11,135,586)</u>	<u>(11,135,586)</u>	<u>-</u>
Net Income (Loss)	<u>(5,618,038)</u>	<u>7,341,506</u>	<u>1,723,468</u>	<u>2,429,275</u>	<u>(705,807)</u>
ADD BACK DEPRECIATION ON CONTRIBUTED CAPITAL	1,459,010	(1,459,010)	-	-	-
RETAINED EARNINGS, beginning of year	<u>9,271,044</u>	<u>-</u>	<u>9,271,044</u>	<u>9,271,044</u>	<u>-</u>
RETAINED EARNINGS, end of year	<u>\$ 5,112,016</u>	<u>\$5,882,496</u>	<u>\$10,994,512</u>	<u>\$11,700,319</u>	<u>\$ (705,807)</u>

The accompanying notes to financial statements are an integral part of this statement.

This Page Intentionally Left Blank.



City of Fort Smith, Arkansas

Combined Statement of Cash Flows -

All Enterprise Funds, Internal Service Funds, and Discretely Presented Component Units

For the Fiscal Year Ended December 31, 2000 (Note 1),

With Comparative Totals for the Fiscal Year Ended December 31, 1999

(Continued on Following Page)

	Enterprise	Internal Service	Total (Memorandum Only) Primary Government	
			December 31, 2000	December 31, 1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$30,901,516	\$ -	\$30,901,516	\$20,906,950
Cash received from service users	-	394,381	394,381	250,116
Cash received from city and employee contributions	-	4,022,826	4,022,826	3,347,424
Cash payments for goods and services	(9,131,811)	(448,409)	(9,580,220)	(7,293,241)
Cash payments to employees	(11,847,564)	-	(11,847,564)	(10,560,557)
Cash payments for premiums and other operating expenses	-	(467,061)	(467,061)	(50,783)
Cash payments for claims paid	-	(4,748,081)	(4,748,081)	(3,803,929)
Cash received from other operating revenues	581,177	-	581,177	10,078,582
Net Cash Provided by (Used for) Operating Activities	10,503,318	(1,246,344)	9,256,974	12,874,562
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Operating transfers-in from other funds	12,251,586	500,000	12,751,586	8,611,742
Operating transfers-out to other funds	(11,135,586)	(500,000)	(11,635,586)	(11,193,410)
Net Cash Provided by (Used for) Noncapital Financing Activities	1,116,000	-	1,116,000	(2,581,668)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from bonds	-	-	-	25,720,326
Payment to escrow agent	-	-	-	-
Proceeds from grants	-	-	-	-
Proceeds from sale of fixed assets	131,217	-	131,217	124,796
Proceeds from insurance and FEMA settlement	-	-	-	1,985,229
Acquisition and construction of capital assets	(14,643,184)	-	(14,643,184)	(9,978,809)
Principal paid on revenue bonds	(2,690,000)	-	(2,690,000)	(1,780,000)
Interest and fiscal charges paid on revenue bonds	(3,079,256)	-	(3,079,256)	(2,053,934)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(20,281,223)	-	(20,281,223)	14,017,608
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from sales and maturities of investment securities	52,896,161	2,107,655	55,003,816	39,207,496
Outlays for purchases of investment securities	(46,849,649)	(835,880)	(47,685,529)	(64,692,541)
Interest on investments	2,613,724	155,847	2,769,571	1,327,629
Net Cash Provided by (Used for) Investing Activities	8,660,236	1,427,622	10,087,858	(24,157,416)
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	(1,669)	181,278	179,609	153,086
<b>CASH AND RESTRICTED CASH, beginning of year</b>	80,970	165,815	246,785	93,699
<b>CASH AND RESTRICTED CASH, end of year</b>	\$ 79,301	\$ 347,093	\$ 426,394	\$ 246,785

The accompanying notes to financial statements are an integral part of this statement.

**Combined Statement of Cash Flows -  
All Enterprise Funds, Internal Service Funds, and Discretely Presented Component Units  
(Continued)**

Component Units	Totals (Memorandum Only)	
	Reporting Entity	
	December 31, 2000	December 31, 1999
Proprietary		
\$1,723,039	\$32,624,555	\$22,419,241
-	394,381	250,116
-	4,022,826	3,347,424
(590,602)	(10,170,822)	(7,804,331)
(730,996)	(12,578,560)	(11,253,264)
(46,666)	(513,727)	(3,667,304)
-	(4,748,081)	(233,145)
<u>365,070</u>	<u>946,247</u>	<u>10,424,052</u>
<u>719,845</u>	<u>9,976,819</u>	<u>13,482,789</u>
120,000	12,871,586	8,721,742
<u>-</u>	<u>(11,635,586)</u>	<u>(11,782,914)</u>
<u>120,000</u>	<u>1,236,000</u>	<u>(3,061,172)</u>
-	-	30,764,386
-	-	-
3,754,094	3,754,094	3,057,970
-	131,217	124,796
-	-	1,985,229
(4,610,893)	(19,254,077)	(13,628,605)
(65,000)	(2,755,000)	(1,948,580)
<u>(412,593)</u>	<u>(3,491,849)</u>	<u>(2,166,850)</u>
<u>(1,334,392)</u>	<u>(21,615,615)</u>	<u>18,188,346</u>
6,256,827	61,260,643	43,386,606
(6,055,894)	(53,741,423)	(72,674,927)
<u>349,494</u>	<u>3,119,065</u>	<u>1,494,565</u>
<u>550,427</u>	<u>10,638,285</u>	<u>(27,793,756)</u>
55,880	235,489	816,207
<u>812,869</u>	<u>1,059,654</u>	<u>243,447</u>
<u>\$ 868,749</u>	<u>\$ 1,295,143</u>	<u>\$ 1,059,654</u>

City of Fort Smith, Arkansas

Combined Statement of Cash Flows -

All Enterprise Funds, Internal Service Funds and Discretely Presented Component Units

For the Fiscal Year Ended December 31, 2000 (Note 1),

With Comparative Totals for the Fiscal Year Ended December 31, 1999

(Continued)

			<u>Total (Memorandum Only)</u>	
			<u>Primary Government</u>	
	<u>Enterprise</u>	<u>Internal Service</u>	<u>December 31, 2000</u>	<u>December 31, 1999</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH				
CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 3,141,453	\$(1,120,479)	\$ 2,020,974	\$ (2,277,143)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities-				
Depreciation	7,674,586	-	7,674,586	7,308,494
Miscellaneous revenue	161,698	-	161,698	5,222,582
Changes in assets and liabilities-				
Accounts receivable	(600,785)	14,862	(585,923)	(706,584)
Sales tax receivable	394,627	-	394,627	(20,478)
Due from other funds	966,072	(104)	965,968	(73,474)
Inventory	(122,928)	5,891	(117,037)	162,218
Prepaid items	(288,210)	14	(288,196)	124,650
Advances to other funds	-	-	-	2,666,668
Accounts payable and accrued liabilities	11,805	1,894	13,699	228,185
Deposits	21,171	-	21,171	32,745
Liability for accrued vacation and sick leave	112,049	-	112,049	5,541
Due to other funds	(970,465)	-	(970,465)	73,479
Liability for insured events	-	(148,422)	(148,422)	121,150
Other liabilities	2,245	-	2,245	6,529
Total Adjustments	<u>7,361,865</u>	<u>(125,865)</u>	<u>7,236,000</u>	<u>15,151,705</u>
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$10,503,318</u>	<u>\$(1,246,344)</u>	<u>\$9,256,974</u>	<u>\$12,874,562</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:

Enterprise Funds-

Water and Sewer Fund received contributions of capital assets of \$1,099,368 and \$881,754 for 2000 and 1999, respectively, and recognized a \$53,419 increase in fair value of investments in 2000 and a \$12,913 decrease in fair value of investments in 1999.

Sanitation Fund recognized an \$876 increase in fair value of investments in 2000 and an \$18,091 decrease in fair value of investments in 1999 and received contributions of capital assets of \$8,344 for 2000. The 1998 advance refunding of solid waste revenue bonds results in a cash flow difference of \$38,643 for 2000 and \$36,713 for 1999.

The accompanying notes to financial statements are an integral part of this statement.

**Combined Statement of Cash Flows -  
All Enterprise Funds, Internal Service Funds, and Discretely Presented Component Units  
(Continued)**

Component Units	Totals (Memorandum Only)	
	Reporting Entity	
	December 31, 2000	December 31, 1999
Proprietary		
\$ (964,408)	\$1,056,566	\$ (3,358,884)
1,694,443	9,369,029	8,944,296
6	161,704	5,455,861
12,601	(573,322)	(905,546)
-	394,627	(20,478)
-	965,968	(73,474)
33	(117,004)	160,616
78,438	(209,758)	36,699
-	-	2,666,668
13,162	26,861	350,416
-	21,171	32,745
(994)	111,055	2,893
-	(970,465)	73,479
-	(148,422)	121,150
<u>(113,436)</u>	<u>(111,191)</u>	<u>(3,652)</u>
<u>1,684,253</u>	<u>8,920,253</u>	<u>16,841,673</u>
<u>\$ 719,845</u>	<u>\$9,976,819</u>	<u>\$13,482,789</u>

City of Fort Smith, Arkansas

Statement of Changes in Plan Net Assets  
Municipal Court Retirement Pension Trust Fund  
For the Fiscal Year Ended December 31, 2000  
With Comparative Totals for Fiscal Year Ended December 31, 1999

	<u>2000</u>	<u>1999</u>
ADDITIONS:		
Court fines and fees	\$ 15,989	\$ 16,167
Investment earnings	<u>48,909</u>	<u>37,782</u>
Total additions	<u>64,898</u>	<u>53,949</u>
DEDUCTIONS:		
Benefit payments	<u>9,419</u>	<u>9,419</u>
Total deductions	<u>9,419</u>	<u>9,419</u>
INCREASE IN NET ASSETS	55,479	44,530
NET ASSETS, beginning of year	<u>796,470</u>	<u>751,940</u>
NET ASSETS, end of year	<u>\$851,949</u>	<u>\$796,470</u>

The accompanying notes to financial statements are an integral part of this statement.

## **City of Fort Smith, Arkansas**

### **Notes to Financial Statements December 31, 2000**

#### **1. Summary of Significant Accounting Policies:**

The financial statements of the City of Fort Smith, Arkansas (the "City"), have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body accepted in the United States for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below:

##### **A. Reporting Entity**

The City is a municipality governed by an elected mayor and a seven-member Board of Directors ("BOD"). As required by GAAP, these financial statements present the City (the "primary government") and its component units. The component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City based upon the criteria of GASB Statement 14, "The Financial Reporting Entity." Generally, GASB Statement 14 requires entities upon which the City is able to impose its will, or that are fiscally dependent upon the City, to be included in the City's financial reporting entity. Additionally, those entities that the nature and significance of their relationship with the City is such that exclusion from the City's financial reporting entity would render the City's financial statements incomplete or misleading, should also be included in the City's reporting entity.

Those entities that meet the above established criteria for inclusion, as well as meet either of the following criteria (1) provide services entirely or almost entirely for the City, or (2) whose board is substantively the same as the City's board, are required to be included as part of the primary government's financial statements through "blended" presentation. Those entities that meet the above established criteria for inclusion, but do not either (1) provide services entirely or almost entirely for the City, or (2) have the same or substantially the same board as the City, are required to be presented "discretely" or in a separate column as part of the City's reporting entity, but not part of the primary government. Entities for which the City is accountable because it appoints a voting majority of the Board but is not financially accountable, are related organizations.

All entities that are not included as "Blended Component Unit," "Discretely Presented Component Units," or "Related Organizations" below are excluded from the City's financial reporting entity.

The following is included as part of the primary government reporting entity:

##### **Discretely Presented Component Units**

###### **Proprietary:**

**Airport Commission.** The Airport Commission manages the Fort Smith Regional Airport and consists of seven members as appointed by the Mayor and confirmed by the BOD. Debt is issued in the name of the City and the tax rate on aviation fuel must be approved by the BOD. The Airport Commission is an enterprise fund and is discretely presented in the City's general purpose financial statements. Financial statements of the Airport Commission can be obtained from the Airport's administrative office located at 5600 Airport Boulevard, Fort Smith, Arkansas 72903, or from the City Clerk's office.

**City of Fort Smith, Arkansas**

**Notes to Financial Statements (Continued)**  
**December 31, 2000**

**Fort Smith Parking Authority (the "Authority").** The Authority's governing board is appointed by the City's BOD; the operation and administration of the Authority's property is conducted by City personnel; and the legal liability for the Authority's revenue bond obligation remains with the City. In addition, the City provides a subsidy to fund the Authority's operations; however, the Authority functions almost entirely for the benefit of residents and other customers. The Authority is an enterprise fund and is discretely presented in the City's general purpose financial statements. Separate financial statements are not prepared for the Authority.

**Governmental:**

**Advertising and Promotion Commission (the "Commission").** The Commission was established during 1989 to promote the City and increase tourism. The Commission is governed by seven members appointed by the City's BOD. The Mayor and one City board member serve as two of the seven members of the Commission. The City levies taxes for the Commission's revenue, performs administrative services for collection of taxes and provides financial services to the Commission. However, the Commission functions for the benefit of the citizens and visitors to the City. The Commission is a governmental fund and is discretely presented in the City's general purpose financial statements. Separate financial statements are not prepared for the Commission.

**Public Library.** The Board of Trustees for the Fort Smith Public Library manages the Public Library and consists of seven members as appointed by the Mayor and confirmed by the BOD. Debt is issued in the name of the City and the Public Library's ad valorem tax is levied by the City annually. The Public Library is a governmental fund and is discretely presented in the City's general purpose financial statements. Financial statements of the Public Library can be obtained from the Library's administrative office located at 61 South 8 Street, Fort Smith, Arkansas 72901, or from the City Clerk's office. The Public Library financial statements include a General Fund and a General Fixed Assets Account Group.

The following presents condensed financial statements for each of the four discretely presented component units:

Condensed Financial Statements – Discretely Presented Component Units

Balance Sheets

	<u>Proprietary</u>		<u>Governmental</u>		
	<u>Airport Commission</u>	<u>Parking Authority</u>	<u>Advertising and Promotion</u>	<u>Public Library</u>	<u>Total</u>
Assets-					
Current assets	\$ 8,756,139	\$ 238,140	\$184,897	\$1,004,185	\$10,183,361
Sales taxes receivable from City of Fort Smith	-	-	-	139,667	139,667
Fixed assets, net of accumulated depreciation, as applicable	27,261,285	2,442,801	-	462,230	30,166,316
Deferred charges	<u>268,916</u>	<u>30,811</u>	<u>-</u>	<u>-</u>	<u>299,727</u>
Total assets	<u>\$36,286,340</u>	<u>\$2,711,752</u>	<u>\$184,897</u>	<u>\$1,606,082</u>	<u>\$40,789,071</u>

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued)  
December 31, 2000

	Proprietary		Governmental		
	Airport Commission	Parking Authority	Advertising and Promotion	Public Library	Total
Liabilities-					
Current liabilities	\$ 409,750	\$ 30,455	\$ 9,596	\$ 26,787	\$ 476,588
Bonds payable	5,242,356	1,913,824	-	-	7,156,180
Other	350,950	-	-	-	350,950
Total liabilities	<u>6,003,056</u>	<u>1,944,279</u>	<u>9,596</u>	<u>26,787</u>	<u>7,983,718</u>
Equity and other credits-					
Contributed capital	23,130,638	410,295	-	-	23,540,933
Investment in general fixed assets	-	-	-	462,230	462,230
Retained earnings	7,152,646	357,178	-	-	7,509,824
Fund balances	-	-	175,301	1,117,065	1,292,366
Total equity and other credits	<u>30,283,284</u>	<u>767,473</u>	<u>175,301</u>	<u>1,579,295</u>	<u>32,805,353</u>
Total liabilities and equity and other credits	<u>\$36,286,340</u>	<u>\$2,711,752</u>	<u>\$184,897</u>	<u>\$1,606,082</u>	<u>\$40,789,071</u>

Statements of Revenues, Expenses, and Changes in Equity

	Airport Commission	Parking Authority	Total
Operating revenues	\$1,980,351	\$208,587	\$2,188,938
Operating expenses-			
Depreciation	1,620,480	73,963	1,694,443
Other	<u>1,265,141</u>	<u>193,762</u>	<u>1,458,903</u>
Operating loss	(905,270)	(59,138)	(964,408)
Other nonoperating revenue (expense)	89,365	(82,779)	6,586
Net transfer in from City of Fort Smith	-	120,000	120,000
Net loss	(815,905)	(21,917)	(837,822)
Add back depreciation on contributed assets	1,326,505	-	1,326,505
Retained earnings, beginning	<u>6,642,046</u>	<u>379,095</u>	<u>7,021,141</u>
Retained earnings, ending	<u>\$7,152,646</u>	<u>\$357,178</u>	<u>\$7,509,824</u>



**City of Fort Smith, Arkansas**

**Notes to Financial Statements (Continued)**  
**December 31, 2000**

Statements of Revenues, Expenditures and Changes in Equity

	Advertising And Promotion	Public Library	Total
Revenues	\$335,825	\$1,873,668	\$2,209,493
Current expenditures	<u>250,261</u>	<u>1,956,371</u>	<u>2,206,632</u>
Excess (deficiency) of revenues over (under) expenditures	85,564	(82,703)	2,861
Transfer out to City of Fort Smith	(8,951)	-	(8,951)
Loss on disposition of asset	-	(326,918)	(326,918)
Fund balances, beginning	<u>98,688</u>	<u>1,988,916</u>	<u>2,087,604</u>
Fund balances, ending	<u>\$175,301</u>	<u>\$1,579,295</u>	<u>\$1,754,596</u>

**Related Organization**

The City's Mayor and BOD are also responsible for appointing members of the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The Mayor and BOD appoint the members of the Fort Smith Housing Authority and the Solid Waste Management District; however, the City cannot impose its will upon the Housing Authority or the Solid Waste Management District as stated in GASB Statement 14; therefore, the financial operations of these related organizations have not been included in the City's general purpose financial statements.

**B. Fund Accounting**

The accounts of the City are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are summarized by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund equity or retained earnings, as appropriate, and revenues and expenses or expenditures, as appropriate. The City's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

**Governmental Fund Types-**

***General Fund-***

The General Fund is the principal fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid through other funds.

***Special Revenue Funds-***

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for

## **City of Fort Smith, Arkansas**

### **Notes to Financial Statements (Continued)** **December 31, 2000**

specified purposes. The Sales Tax Fund is the primary source of revenue of the Special Revenue Funds. Other major funds include the Street Maintenance Fund, Arkansas Local Police and Fire Retirement System ("LOPFI") Contribution Fund, and funds that account for grants received from the Department of Housing and Urban Development - Community Development Block Grant Fund and the HOME Investment Partnership Act Fund. Additionally, the special grant fund consists of grants received from various other federal and state governmental entities.

#### ***Debt Service Fund-***

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

#### ***Capital Projects Funds-***

The Capital Projects Funds are used to account for the acquisition of capital facilities being financed from bond proceeds, intergovernmental revenues, contributed capital, or transfers from other funds, other than those recorded in the Proprietary Fund Types.

#### ***Proprietary Fund Types-***

##### ***Enterprise Funds-***

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. These funds include the water and sewer and sanitation funds.

##### ***Internal Service Funds-***

The Internal Service Funds are used to account for the financing of materials and services provided by one department of the City to other departments of the City on a cost-reimbursement basis. These funds include the working capital fund (i.e., vehicle maintenance, office supplies, and operating equipment) and the City's self-insurance programs (employee insurance and workers' compensation).

#### ***Fiduciary Fund Types-***

##### ***Trust and Agency Funds-***

Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include Pension Trust Funds and Agency Funds. Pension Trust Funds are accounted for in essentially the same manner as Proprietary Funds since capital maintenance is critical. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Notes to Financial Statements (Continued)  
December 31, 2000

**Account Groups-**

***General Fixed Assets Account Group-***

The General Fixed Assets Account Group represents a summary of the fixed assets of the City, other than assets of the Proprietary Funds. Capital outlays in funds other than Proprietary Funds are recorded as expenditures of those funds at the time of purchase and are subsequently recorded for control purposes in the General Fixed Assets Account Group.

***General Long-Term Debt Account Group-***

The General Long-Term Debt Account Group represents a summary of the long-term liabilities of the City paid principally by taxes levied by the City. This account group does not include debt accounted for in the Proprietary Funds or in the discretely presented component units.

**C. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases, i.e., revenues and other financing sources, and decreases (i.e., expenditures and other financing uses), in net current assets.

All Enterprise Funds, Internal Service Funds, and Pension Trust Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets), is segregated into contributed capital and retained earnings components. Proprietary Fund type operating statements present increases (i.e., revenues, and decreases) (i.e., expenses), in net total assets.

The City has adopted the provisions of GASB Statement 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." Accordingly, only Financial Accounting Standards Board statements issued on or before November 30, 1989, and all applicable GASB Statements are applied.

***The accrual basis--***The accrual basis of accounting is utilized by Enterprise Fund types, Internal Service Funds, Pension Funds, and discretely presented proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

***Modified accrual basis--***The modified accrual basis is used for all other funds. Modifications in the accrual basis for these funds include the following:

1. Revenues are recognized when they become both measurable and available for use during the year. Under the modified accrual basis of accounting, "available" means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Significant revenues which have been accrued under the modified accrual basis of accounting include ad

## **City of Fort Smith, Arkansas**

### **Notes to Financial Statements (Continued) December 31, 2000**

valorem taxes, sales taxes, utility franchise fees, state tax turnback, and interest. Other revenue sources from licenses and permits, fines and forfeitures, service charges, and other miscellaneous revenues are recognized as the cash is received. Grant revenues are recognized when eligible grant expenditures are incurred.

2. Expenditures are recognized when the related fund liability is incurred, except for interest and principal on general long-term debt, which are recorded when due or otherwise payable.
3. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

#### **D. Budgets and Budgetary Accounting**

The BOD adheres to the following procedures in establishing the budgets reflected in the financial statements:

1. By December 1 of each year, the City Administrator is required to submit to the BOD a proposed budget for the fiscal year beginning on the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to February 1, the budget is legally adopted by the BOD.
4. The City Administrator is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of any department must be approved by the BOD. Budget amounts in the accompanying financial statements include transfers and revisions to the original budget totaling approximately \$641,000 in 2000 which were primarily from providing funds for the senior activity center construction, remodeling for Fire Station #7, expansion of community center offices and litigation settlement. For budgetary purposes, unencumbered appropriations lapse at year-end.
5. Annual budgets are legally adopted for the General Fund, for the Street Maintenance Fund in the Special Revenue Funds and for the Water and Sewer Operating and Sanitation Operating Funds. Budgets for the other Special Revenue Funds, Debt Service Fund, and Capital Projects Funds are normally established pursuant to the terms of the bond indentures, or the related federal and state grant awards, on a program or project basis. Accordingly, the Street Maintenance Fund is the only Special Revenue Fund for which an annual operating budget is prepared as a part of the City's annual operating budget, and a comparison of budget to actual is presented in the financial statements.

**City of Fort Smith, Arkansas**

**Notes to Financial Statements (Continued)**  
**December 31, 2000**

6. The budgets for the General Fund, Street Maintenance Fund, Water and Sewer Operating Fund, and the Sanitation Operating Fund are prepared on a basis which differs from GAAP. The difference between budget and GAAP basis for Governmental Fund types is that encumbrances are recorded as the equivalent of expenditures (budget) as opposed to a reservation of fund balance (GAAP) and advances and interfund payables are recorded as expenditures when repaid (budget) rather than recognized as interfund liabilities (GAAP). For Enterprise Fund types, the major differences between budget and GAAP basis are that encumbrances are recorded as the equivalent of expenses (budget) as opposed to no accounting recognition (GAAP), capital outlays are recorded as expenses (budget) as opposed to being capitalized (GAAP), and depreciation is not recorded as an expense for budgetary purposes. Accordingly, encumbrances, capital outlays, and depreciation have been reflected in the budget versus actual statements as budget adjustments, as appropriate, depending on fund type, to provide a more meaningful comparison. Budget versus actual comparisons are presented at the departmental level, the legal level of budgetary control. A reconciliation of entity differences between budgeted and nonbudgeted fund balances and retained earnings at December 31, 2000, is as follows:

	Primary Government		
	Special		
	<u>General Fund</u>	<u>Revenue Funds</u>	<u>Enterprise Funds</u>
Fund balance/retained earnings - budgeted funds, December 31, 2000	\$4,021,183	\$ 5,491,843	\$ 5,112,016
Fund balance/retained earnings - nonbudgeted funds, December 31, 2000	<u>-</u>	<u>36,698,460</u>	<u>76,786,993</u>
Fund balance/retained earnings - December 31, 2000	<u>\$4,021,183</u>	<u>\$42,190,303</u>	<u>\$81,899,009</u>

**E. Cash and Investments**

In order to facilitate cash management, the operating cash of certain funds is pooled into common bank accounts for the purpose of increasing income through combined investment activities. Investments, excluding pension trust fund investments, are carried at fair value. Interest earned on investments is recorded in the funds in which the investments are recorded.

Pension trust fund investments consist primarily of certificates of deposit which are carried at fair value.

**F. Inventories**

Inventories, consisting primarily of gasoline and waterline materials, are valued at cost. Cost is determined using a first-in, first-out method.

**City of Fort Smith, Arkansas**

**Notes to Financial Statements (Continued)**  
**December 31, 2000**

**G. Fixed Assets**

**Enterprise Funds-**

Fixed assets are recorded at cost, including interest during the construction period. Contributed property is recorded at fair market value at the date of contribution. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets, or on the units-of-production method based on filled capacity utilized for the City's landfill.

Improvements other than buildings in the sanitation funds include the construction of improvements to the municipal solid waste landfill. The City depreciates improvements other than buildings on the units-of-production method.

The ranges of estimated useful lives, excluding improvements other than buildings for the sanitation funds, are as follows:

<u>Fixed Asset</u>	<u>Useful Life (Years)</u>
<b>Enterprise Funds-</b>	
<u>Water and Sewer System</u>	
Water system	10 to 150
Sewer system	10 to 50
Machinery and equipment	3 to 10
<u>Sanitation</u>	
Buildings	35
Leasehold improvements	10 to 30
Machinery and equipment	3 to 10
<b>Discretely Presented Component Units-Proprietary-</b>	
<u>Airport Commission</u>	
Buildings and improvements	10 to 30
Improvements other than buildings	5 to 20
Machinery and equipment	3 to 15
Furniture and fixtures	3 to 10
Ramps, runways, taxiways, and improvements	3 to 50
<u>Parking Authority</u>	
Buildings	30
Machinery and equipment	3 to 10

Renewals and betterments of property and equipment are capitalized, whereas normal repairs and maintenance are charged to expense as incurred.

**City of Fort Smith, Arkansas**

**Notes to Financial Statements (Continued)**  
**December 31, 2000**

Interest is capitalized on Enterprise Fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Interest revenue earned on invested proceeds exceeded interest expense in 2000 and 1999; therefore, there was no capitalized interest in 2000 or 1999.

**General Fixed Assets-**

General fixed assets are recorded as expenditures in the General, Special Revenue, and Capital Projects Funds when acquired. Such assets are capitalized at historical cost, including interest during the construction period, in the General Fixed Assets Account Group. Significant gifts or contributions of assets are recorded in the General Fixed Assets Account Group at the fair market value at the date of acquisition. Public domain (infrastructure) general fixed assets consisting of streets, curbs, sidewalks, gutters, and drainage systems are not capitalized. No depreciation is provided on general fixed assets.

**H. Contributed Capital**

**Proprietary Fund Types-**

Contributed capital is recorded at the fair value of the asset contributed as of the date of contribution. The activity during the year is summarized below:

	<u>Primary Government</u>		<u>Component Unit</u>		<u>Total Reporting Entity</u>
	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Airport Commission</u>	<u>Parking Authority</u>	
Contributed capital, beginning of year	\$44,977,069	\$1,697,495	\$20,842,267	\$410,295	\$67,927,126
Contributions during the year-					
In aid of construction	1,099,368	-	-	-	1,099,368
From other municipalities or governmental units	8,344	-	3,614,876	-	3,623,220
Depreciation on contributed capital assets	<u>(1,459,010)</u>	<u>-</u>	<u>(1,326,505)</u>	<u>-</u>	<u>(2,785,515)</u>
Contributed capital, end of year	<u>\$44,625,771</u>	<u>\$1,697,495</u>	<u>\$23,130,638</u>	<u>\$410,295</u>	<u>\$69,864,199</u>

**I. Property Tax Revenue**

Taxes are levied on October 1 and are due and payable at that time. Property taxes attach an enforceable lien on property the first Monday in January. All unpaid taxes levied October 1 become delinquent October 10 of the following year.

Sebastian County is the collecting agent for the levy and remits the collections to the City, net of a collection fee.

## **City of Fort Smith, Arkansas**

### **Notes to Financial Statements (Continued)** **December 31, 2000**

The City is permitted by Arkansas State Law to levy taxes up to \$.50 per \$100 of assessed valuation on real and personal property for general governmental services, \$.50 per \$100 of assessed valuation on real and personal property for the payment of principal and interest on long-term debt, \$.10 per \$100 of assessed valuation on real and personal property for the police pension funds and \$.10 per \$100 of assessed valuation on real and personal property for the fire pension funds. The combined tax rate levied by the City in 2000 to finance the above operations was \$.70 per \$100 of assessed valuation on real and personal property, leaving a tax margin of \$.50 per \$100 of assessed valuation on real and personal property. Approximately \$4,348,097 of additional taxes could be raised per year based on the current year's assessed value of \$607,508,450 for real property and \$262,110,959 for personal property before the limit is reached.

#### **J. Compensated Absences**

The City allows nonuniformed employees to accumulate unused vacation of up to 160 hours, police to accumulate unused vacation of up to 160 hours, and firefighters to accumulate unused vacation of up to 240 hours for one year. Upon termination, any accumulated unused vacation time will be paid to the employees. Generally, City employees are allowed to accumulate unused sick leave up to a maximum of 120 days. Any accumulated unused sick leave over 45 days for nonuniformed employees hired prior to February 4, 1992, and any accumulated unused sick leave over 90 days for nonuniformed employees hired February 4, 1992, and thereafter is paid upon termination. At the end of term of service, police officers will be paid for any accumulated unused sick leave upon retirement to a maximum amount equal to three months' salary for police officers in the rank retired. At the end of term of service, firefighters shall be paid for any accumulated unused sick leave upon retirement to a maximum amount of three months' salary in the rank of Assistant Chief and above and to a maximum amount of 728 hours for firefighters in the rank of Captain and below.

The City records a liability for compensated absences as the employee earns benefits attributable to services already rendered that are not contingent on a specific event that is outside the control of the City. Additionally, the City accrues benefits for earned sick leave only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies. As of December 31, 2000, the liability for accrued vacation and accrued sick leave for the primary government is \$3,486,676. The amounts applicable to the Enterprise Funds \$(875,311) have been recorded in those funds, and the amounts applicable to other funds \$(2,611,365) have been recorded in the General Long-Term Debt Account Group. The amount expected to be paid from current resources is not significant. Accrued vacation and sick leave liability activity for the year consisted of the current year accruals net of vacation and sick leave taken.

#### **K. Risk Management**

Prior to fiscal year 1997, the City only maintained a health self-insurance plan, which was funded by the City and administered by an insurance company. Effective January 1, 1997, City employees were granted the option of choosing medical plan coverage provided by an HMO Plan or continue in the self-insured plan. In 1998, all participants were required to participate in the self-insured plan. These plans provide certain healthcare benefits to active and retired City employees. Substantially all regular, full-time City employees are eligible for these benefits. The City's cost of providing these benefits, including premiums, totaled \$4,564,379 and \$4,017,189 in 2000 and 1999, respectively, and are included in operating expenses in the Employee Insurance Fund. The



## **City of Fort Smith, Arkansas**

### **Notes to Financial Statements (Continued)** **December 31, 2000**

costs for providing these benefits to retired employees is not identified separately from the costs attributable to the active employees. The City contributes fully for each employee and shares the contribution for any dependents. Retired employees may continue coverage under the City's policy, but must bear the entire cost of these contributions.

The City also makes contributions to fund a self-insured workers' compensation program. The City contributed \$284,470 and \$275,561 in 2000 and 1999, respectively, to fund this program. There have been no significant reductions in insurance coverage from coverage in the prior year and there were no settlements that exceeded insurance coverage in the past three fiscal years.

#### **L. Sales Taxes**

In November 1985, the City began assessing a 1% sales and use tax on retail sales in the City. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City or in control of the taxing authority at year-end totaled \$15,453,552 and \$14,689,273 for fiscal years 2000 and 1999, respectively, and are included in the Sales Tax Fund's sales tax revenues in the accompanying financial statements. Sales tax revenues are restricted for repair, maintenance, and improvement of City streets, bridges, and associated drainage.

In August 1994, Sebastian County began assessing a 1% sales and use tax on retail sales in the county. Each city within Sebastian County receives a portion of the tax based upon population of the city. Currently, the City receives approximately 73% of the county tax. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes for the purposes specified below remitted to the City or in control of the taxing authority totaled \$12,624,941 and \$11,812,187 for fiscal years 2000 and 1999, respectively. These taxes are included in the General Fund's sales tax revenues in 2000. In 1999, this sales tax was included in the General Fund sales tax revenue of \$7,087,312 and in the Enterprise Fund's other nonoperating revenue of \$4,724,875.

The Board of Directors approved a resolution of commitment wherein the distribution of the City's share of the county sales tax was established. The resolution earmarked the revenues as follows: 33% to the Water and Sewer Fund to help subsidize some of the anticipated cost to upgrade the City's wastewater system, 10% to the Sanitation Fund to help subsidize the capital, operating, and debt service cost of the landfill, and the remaining 57% to the General Fund for general government purposes such as public safety, library, public transportation, downtown redevelopment, riverfront development, senior citizen centers, and park improvements. The Board of Directors approved an allocation of 100% of the City's share of the county sales tax to the General Fund for 2000.

In January 1998, the City began assessing a 1/2% sales and use tax on retail sales in the City. The tax is collected by the state and remitted to the City, net of a collection fee. Taxes for this purpose remitted to the City or in control of the taxing authority at year-end totaled \$7,726,776 and \$7,344,637 for fiscal 2000 and 1999, respectively, and are included in the debt service fund sales tax revenues in the accompanying financial statements. Sales tax revenues are restricted for the repayment of the Sales and Use Tax Construction Bonds, Series 1997, which are funding the Civic Center, Library, and Riverfront Park improvements. The bonds are anticipated to be retired by 2005.

## **City of Fort Smith, Arkansas**

### **Notes to Financial Statements (Continued) December 31, 2000**

#### **M. "Memorandum Only" Total Columns**

Total columns on the combined statements are captioned as "memorandum only" to indicate that they are presented only to facilitate analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with GAAP, nor are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

#### **N. Statements of Cash Flows**

For purposes of the statement of cash flows, the Enterprise Funds, Internal Service Funds, and discretely presented proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents, which are classified as cash and restricted cash in the accompanying balance sheet.

#### **2. Cash and Investments:**

The City maintains a cash and investment pool that is available for use by all City funds. The Municipal Court Retirement System is the only City pension fund to participate in the pool. In addition, investments are separately held by some of the City's funds.

In March 1997, GASB issued Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." This statement requires certain investments to be reported at fair value on the balance sheet, with the related gains and losses included in the combined statement of revenues, expenditures, and changes in fund balance/combined statement of revenues, expenses, and changes in fund equity. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties. The investments and deposits of the primary government are stated at quoted fair values. As a result, an unrealized loss of approximately \$77,200 is recorded as a decrease in fair value of investments for the primary government in 2000 and an unrealized loss of approximately \$424,000 was recorded as a decrease in fair value of investments for the primary government in 1999. An unrealized loss of approximately \$41,000 in 2000 is recorded as a decrease in fair value of investments for component units and an unrealized gain of approximately \$100 in 1999 was recorded as an increase in fair value of investments for component units.

#### **Deposits**

State and City statutes authorize the City's funds to be deposited in demand deposits or certificates of deposit. The City's deposits at the carrying value and the bank balance at year-end are shown on the following page.

The City's deposits are categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes deposits that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered deposits for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered deposits for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

## City of Fort Smith, Arkansas

### Notes to Financial Statements (Continued) December 31, 2000

The bank balance and carrying amount of the City's deposits held as of December 31, 2000, were as follows:

#### Pooled and Non-Pooled Funds

Description	Category			Bank Balance	Carrying Amount
	1	2	3		
Demand deposits	\$14,308,315	\$ -	\$ -	\$14,308,315	\$12,509,309
Certificates of deposit	<u>68,201,046</u>	<u>-</u>	<u>-</u>	<u>68,201,046</u>	<u>68,144,535</u>
	<u>\$82,509,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$82,509,361</u>	<u>\$80,653,844</u>

#### Pension Funds

Description	Category			Bank Balance	Carrying Amount
	1	2	3		
Certificates of deposit	<u>\$ 848,741</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 848,741</u>	<u>\$ 848,741</u>

#### Component Units

At year-end, the carrying amount of the Airport Commission's deposits was \$8,397,575 and the bank balance was \$6,067,331. Of the bank balance, \$200,000 was covered by federal depository insurance (Category 1), \$5,659,650 was covered by collateral held by the pledging bank's agent in the Airport Commission's name (Category 2), and \$207,681 was uninsured (Category 3).

At year-end, the carrying amount and the bank balance of the Parking Authority's deposits was \$234,127. The balance was covered by collateral held by the pledging bank's agent in the City's name (Category 2).

At year-end, the carrying amount and the bank balance of the Advertising and Promotion Commission's deposits was \$158,521 and was covered by collateral held by the City's agent in the City's name (Category 1).

At year-end, the carrying amount of the Public Library's deposits was \$759,360 and the bank balance was \$805,178. Of the bank balance, \$479,635 was covered by federal depository insurance (Category 1), and \$325,543 was uninsured (Category 3).

#### Investments

State statutes and City ordinances authorize the City to invest funds, except pension funds, in obligations of the U.S. government. The City pension funds are authorized to invest in obligations of the U.S. Treasury, U.S. agencies and instrumentalities, commercial paper, corporate stocks, bonds, and mutual funds.

The City's investments are categorized to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered

## City of Fort Smith, Arkansas

### Notes to Financial Statements (Continued) December 31, 2000

investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name.

The City's investments, including accrued interest, held as of December 31, 2000, were as follows:

#### Pooled and Non-Pooled Funds

Description	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Treasury Bills	\$17,957,753	\$ -	\$ -	\$17,957,753	\$17,993,429
U.S. Treasury Notes	<u>2,956,044</u>	<u>-</u>	<u>-</u>	<u>2,956,044</u>	<u>2,980,874</u>
	<u>\$20,913,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$20,913,797</u>	<u>\$20,974,303</u>

#### Component Units

At year-end, the Public Library held \$133,047 in stocks, corporate bonds, unit investment trusts, and mutual funds, including accrued interest. The Public Library investments are not classified as to collateral risk because the investments are not evidenced by securities that exist in book entry or physical form. The Public Library reports investments at fair value.

Total deposits and investments, including accrued interest, are presented on the combined balance sheet in the Totals (Memorandum Only) column as follows:

Primary Government-	
Cash	\$ 1,109,007
Investments	63,228,627
Accrued interest	317,071
Restricted-cash	77,626
Restricted-investments	37,332,158
Restricted-accrued interest receivable	<u>351,893</u>
Total Primary Government	<u>102,416,382</u>

**City of Fort Smith, Arkansas**

**Notes to Financial Statements (Continued)**  
**December 31, 2000**

Component Units-	
Airport Commission-	
Cash	\$ 125,805
Investments	2,400,000
Accrued interest	45,258
Restricted - cash	742,944
Restricted - investments	4,911,513
Restricted - accrued interest receivable	<u>172,055</u>
Total Airport Commission	<u>8,397,575</u>
Parking Authority-	
Restricted - investments	233,081
Restricted - accrued interest receivable	<u>1,046</u>
Total Parking Authority	<u>234,127</u>
Advertising and Promotion Commission-	
Cash	25
Investments	157,666
Accrued Interest	<u>830</u>
Total Advertising and Promotion Commission	<u>158,521</u>
Public Library-	
Cash	759,360
Investments	131,669
Accrued interest	<u>1,378</u>
Total Public Library	<u>892,407</u>
Total Reporting Entity	<u>\$112,099,012</u>

**City of Fort Smith, Arkansas**

**Notes to Financial Statements (Continued)**  
**December 31, 2000**

**3. Fixed Assets:**

**General Fixed Assets**

***Primary Government-***

General fixed assets balances and transactions for the year ended December 31, 2000, are summarized below:

	December 31, 1999	Additions	Deductions	Transfers	December 31, 2000
Land	\$ 8,829,473	\$ 534,499	\$ -	\$ 156,115	\$ 9,520,087
Buildings	13,341,649	216,009	-	6,436,622	19,994,280
Improvements other than buildings	5,114,610	196,856	-	-	5,311,466
Machinery and equipment	12,479,511	1,299,733	259,077	367,767	13,887,934
Construction-in-progress	18,164,212	32,422,847	-	(5,993,203)	44,593,856
	<u>\$57,929,455</u>	<u>\$34,669,944</u>	<u>\$259,077</u>	<u>\$ 967,301</u>	<u>\$93,307,623</u>
Investment in General Fixed Assets-					
From bond issues	\$30,218,766	\$31,967,436	\$ -	\$ 967,301	\$63,153,503
From current revenue	26,502,644	2,494,217	259,077	-	28,737,784
From contributions	1,208,045	208,291	-	-	1,416,336
Total	<u>\$57,929,455</u>	<u>\$34,669,944</u>	<u>\$259,077</u>	<u>\$ 967,301</u>	<u>\$93,307,623</u>

Additions consisted of expenditures from the General Fund (\$1,964,141), the Special Revenue Funds (\$530,076), the Capital Projects Funds (\$31,967,436), and contributions (\$208,291). Net transfers (\$967,301) represent the return of the land and old library building which were originally acquired by the City.

***Component Unit-***

The Public Library fixed assets balance and transactions for the year ended December 31, 2000, are summarized below:

	December 31, 1999	Additions	Deductions	Transfers	December 31, 2000
Land	\$ 578,247	\$ -	\$156,115	\$ -	\$ 422,132
Buildings and improvements	811,186	-	811,186	-	-
Furniture and fixtures	426,239	-	-	-	426,239
Vehicles	135,952	-	-	-	135,952
Less- Allowance for depreciation	(1,104,551)	-	(582,458)	-	(522,093)
Investment in General Fixed Assets	<u>\$ 847,073</u>	<u>\$ -</u>	<u>\$384,843</u>	<u>\$ -</u>	<u>\$ 462,230</u>

**City of Fort Smith, Arkansas**

**Notes to Financial Statements (Continued)**  
**December 31, 2000**

**Enterprise Funds**

Fixed assets of these funds are as follows:

	December 31,	
	2000	1999
Water and Sewer-		
Land	\$ 5,316,904	\$ 5,140,134
Machinery and equipment	6,925,171	6,095,318
Water system	95,706,637	90,801,887
Sewer system	77,708,717	68,438,846
Less- Allowance for depreciation	(61,175,197)	(55,554,537)
	<u>124,482,232</u>	<u>114,921,648</u>
Construction-in-progress	<u>4,529,255</u>	<u>5,903,455</u>
Total Water and Sewer	<u>129,011,487</u>	<u>120,825,103</u>
Sanitation-		
Land	373,772	373,772
Buildings	1,324,385	1,324,385
Improvements other than buildings	14,449,138	12,412,786
Leasehold improvements	712,760	703,074
Machinery and equipment	11,734,947	10,996,158
Less- Allowance for depreciation	(14,704,115)	(13,208,510)
	<u>13,890,887</u>	<u>12,601,665</u>
Construction-in-progress	<u>-</u>	<u>208,970</u>
Total Sanitation	<u>13,890,887</u>	<u>12,810,635</u>
Total for Enterprise Funds	<u>\$142,902,374</u>	<u>\$133,635,738</u>

Component Units

	December 31,	
	2000	1999
Airport Commission-		
Land	\$ 6,010,552	\$ 4,372,374
Buildings and improvements	5,374,340	5,287,191
Improvements other than buildings	1,356,464	981,266
Machinery and equipment	933,492	937,953
Furniture and fixtures	289,680	283,686
Ramps, runways, taxiways, and improvements	32,297,858	27,628,869
Less- Allowance for depreciation	(19,645,632)	(18,029,576)
	<u>26,616,754</u>	<u>21,461,763</u>
Construction-in-progress	<u>644,531</u>	<u>3,405,480</u>
Total Airport Commission	<u>\$27,261,285</u>	<u>\$24,867,243</u>

**City of Fort Smith, Arkansas**

**Notes to Financial Statements (Continued)**  
**December 31, 2000**

	December 31,	
	2000	1999
Parking Authority-		
Land	\$ 1,414,413	\$ 1,298,194
Building	1,660,911	1,660,911
Machinery and equipment	49,174	49,174
Less- Allowance for depreciation	(736,602)	(662,640)
Construction-in-progress	<u>54,905</u>	<u>-</u>
Total Parking Authority	<u>\$ 2,442,801</u>	<u>\$ 2,345,639</u>

Construction-in-progress is composed of the following:

	Project Appropriation	Expended to December 31, 2000	Committed
<u>Primary Government</u>			
Water and Sewer Capital Improvements	<u>\$43,089,616</u>	<u>\$4,529,255</u>	<u>\$38,560,361</u>
<u>Component Unit</u>			
Airport Commission	<u>\$ 920,895</u>	<u>\$ 644,531</u>	<u>\$ 276,364</u>

The City anticipates additional financing associated with the Water and Sewer capital improvements and plans to issue debt during 2001. Improvements to the wastewater treatment plants, relief sewers and collection systems are planned in an effort to begin meeting the U.S. Environmental Protection Agency ("EPA") wet weather sewer mandates. The second phase of the Lake Fort Smith Water Supply Expansion Project is expected to be funded by various 2001 bond issuances and the third phase of the project is anticipated to be funded by a bond issuance once during 2003. Additionally, the Airport Commission does not anticipate additional financing associated with capital improvements other than through grant funding.



## City of Fort Smith, Arkansas

### Notes to Financial Statements (Continued) December 31, 2000

#### 4. Long-Term Debt:

##### General Long-Term Debt

General long-term debt balances and transactions for the year ended December 31, 2000, are summarized below:

	Balance, December 31, 1999	Additions	Deletions	Balance, December 31, 2000
Accrued vacation and sick leave	\$ 2,419,322	\$1,176,039	\$ 983,996	\$ 2,611,365
1997 sales and use tax bonds payable	38,035,000	-	6,325,000	31,710,000
Litigation settlement accrual	179,000	-	-	179,000
Total	<u>\$40,633,322</u>	<u>\$1,176,039</u>	<u>\$7,308,996</u>	<u>\$34,500,365</u>

On November 21, 1997, the City issued \$45,655,000 Arkansas Sales and Use Tax Bonds, Series 1997, dated December 1, 1997. The Bonds were issued to finance the costs of acquiring and constructing civic center, library, and park improvements. The principal amount of the Bonds was allocated among the three projects at \$20,405,000 for civic center improvements, \$19,840,000 for library improvements, and \$5,410,000 for park improvements. The Bonds are not general obligations of the City, but are special obligations payable solely from collections from a one-half percent (1/2%) sales and use tax levied by the City beginning January 1, 1998. The issuance of the Bonds and the pledging of the tax to the payment of principal of and interest on the Bonds was approved at a special election held October 28, 1997.

The Bonds mature on December 1 of each year through December 1, 2008, with interest ranging from 4% to 6% payable semiannually. The Bonds are subject to extraordinary redemption from surplus tax receipts and proceeds of the Bonds not needed for the purposes intended at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. The bond ordinance requires a debt service reserve in the amount of \$2,725,000 be maintained during the life of the Bonds.

The bond proceeds are subject to the arbitrage provisions of the Internal Revenue Tax Act of 1986. Accordingly, excess arbitrage earnings of approximately \$808,000 and \$613,000 were estimated at December 31, 2000 and 1999, respectively, and are included in the 1997 Sales and Use Tax Construction Fund, a capital projects fund, as other long term obligations.

##### Revenue Bonds

The following is a summary of revenue bond transactions of the City for the year ended December 31, 2000:

Bonds outstanding, December 31, 1999	\$58,600,000
Maturities	<u>2,690,000</u>
Bonds outstanding, December 31, 2000	<u>\$55,910,000</u>

**City of Fort Smith, Arkansas**

**Notes to Financial Statements (Continued)**  
**December 31, 2000**

Revenue bonds outstanding at December 31, 2000, are comprised of the following individual issues:

**Revenue Bonds-**

**Water and Sewer**

\$27,215,000 of Series 1994 Water and Sewer Refunding and Construction Revenue Bonds; \$20,675,000 of which are serial bonds due in annual installments at varying amounts through October 1, 2009; interest ranging from 3.70% to 5.75% payable semiannually; \$6,540,000 of which are term bonds due October 1, 2012, with interest at 6% payable semiannually \$20,805,000

\$26,415,000 of Series 1999 Water and Sewer System Revenue Bonds; \$18,815,000 of which are serial bonds due in annual installments at varying amounts through October 1, 2015, with interest ranging from 3.80% to 5.375% payable semiannually; \$7,600,000 of the bonds are term bonds due October 1, 2019, with interest at 5.65% payable semiannually 25,590,000

**Sanitation**

\$9,185,000 of Series 1995 Solid Waste Revenue Construction Bonds; \$5,125,000 of which are serial bonds due in annual installments at varying amounts through December 1, 2006, with interest ranging from 4.25% to 5.55% payable semiannually; \$4,060,000 of which are term bonds due December 1, 2011, with interest at 5.85%, payable semiannually 6,985,000

\$3,055,000 of Series 1998 Solid Waste Refunding Revenue Bonds due in annual installments at varying amounts through December 1, 2009, with interest ranging from 3.65% to 4.55% payable semiannually 2,530,000

Bonds outstanding, December 31, 2000 55,910,000

**Less-**

Unamortized bond discount 828,146  
Deferred amount on refunding 555,439

Net bonds outstanding, December 31, 2000 **\$54,526,415**

**Water and Sewer**

On July 1, 1994, the City issued \$27,215,000 in Water and Sewer Refunding and Construction Revenue Bonds, Series 1994, to be used for construction and improvements to the Water and Sewer Systems in accordance with the City's Capital Improvement Plan, and to advance refund the Series 1987 and 1977 bonds. The net proceeds provided by the refunding debt were used to purchase securities that were placed in an irrevocable trust which will provide resources for all future debt payments on the refunded debt. The refunded debt is considered defeased and the related liabilities have been removed from the Water and Sewer Fund balance sheet. The 1977 and 1987 bonds were redeemed on October 1, 1994, and April 1, 1997, respectively. The reacquisition price exceeded the carrying amount of the old debt by

## City of Fort Smith, Arkansas

### Notes to Financial Statements (Continued) December 31, 2000

\$1,680,000. The unamortized amount is netted against the previously outstanding debt and is being amortized over the refunded debt's life using the straight-line method, which approximates the effective interest method. The remaining unamortized deferred amount on refunding was \$328,022 as of December 31, 2000.

The Series 1994 Revenue Bonds may be redeemed at the option of the City in whole on any date or in part on any interest payment date, from funds from any source, in inverse order of maturity on and after April 1, 2004, at a redemption price of 101% for the period April 1, 2004, through March 31, 2005, 100.5% for the period April 1, 2005, through March 31, 2006, and 100% April 1, 2006, and thereafter.

On September 21, 1999, the City issued \$26,415,000 in Water and Sewer System Revenue Bonds, Series 1999, to be used for the first phase of the Lake Fort Smith Water Supply Expansion Project, improvements to the Lee Creek water impoundment, and improvements to the existing water transmission, storage and distribution system in accordance with the City's Capital Improvement Plan. The Series 1999 Bonds were issued as additional bonds under the Series 1994 ordinance on a parity of security with the Series 1994 Bonds.

The Series 1999 Bonds may be redeemed at the option of the City, on and after October 1, 2009, in whole on any date or in part on any interest payment date, from any source, in inverse order of maturity at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption.

The Series 1994 and 1999 Revenue Bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the authorizing bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system, second to establish and maintain the revenue bond funds, and third to pay the cost of replacements made necessary by the depreciation of the system. Any remaining revenues may then be used for redemption of the bonds prior to maturity, as discussed above, for the purchase of bonds at a price not to exceed par and accrued interest, for construction, extension, betterments and improvements to the system, or for any other lawful purpose.

The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. As of December 31, 2000, the City is in compliance with all applicable requirements. Restricted accounts required by the bond ordinances are as follows:

**Bond Retirement** - The City is required to restrict funds for the payment of principal, interest, and trustee and paying agents' fees up to a maximum of \$2,468,640 related to the Series 1994 Bonds and \$2,179,462 related to the Series 1999 Bonds. The City held surety bonds valued at \$2,468,640 and \$2,179,462 at December 31, 2000, for this purpose.

**Asset Replacement** - 3% of the gross revenues of the water and sewer system for the then preceding month plus \$5,000 per month until the sum of \$500,000 has been accumulated in the Depreciation Fund. Amounts are to be used for replacements made necessary by the depreciation of the system. The City has accumulated \$500,000 for asset replacement as of December 31, 2000.

## City of Fort Smith, Arkansas

### Notes to Financial Statements (Continued) December 31, 2000

#### Sanitation

In November 1994, the City issued \$3,560,000 in Solid Waste Refunding Revenue Bonds for the purpose of providing a portion of the funds to construct the second phase of the City's landfill. In June 1995, the City issued \$9,185,000 of Solid Waste Refunding and Construction Bonds to redeem the previously outstanding 1993 Temporary Solid Waste Revenue Bonds and to provide financing for future expansion of the Municipal Solid Waste Landfill. In April 1998, the City issued \$3,055,000 of Solid Waste Refunding Revenue Bonds to advance refund the outstanding Series 1994 Solid Waste Revenue Bonds. The net proceeds provided by the refunding debt were used to purchase securities that were placed in an irrevocable trust, which will provide resources to redeem the debt on December 1, 2001, at 101%. The refunded debt is considered defeased and the related liabilities have been removed from the Sanitation Fund balance sheet. In accordance with GASB Statement 23, the unamortized amount is netted against the new debt and is being amortized over the refunded debt's life using the straight-line method, which approximates the effective interest method. The remaining unamortized deferred amount on refunding was \$227,417 as of December 31, 2000.

The Series 1995 Solid Waste Bonds may be redeemed at the option of the City on and after December 1, 2002, in whole on any date or in part on any interest payment date, from funds from any source, in inverse order of maturity at a redemption price plus accrued interest to the date of redemption at 101% for the period December 1, 2002, through November 30, 2003, at 100.5% for the period December 1, 2003, through November 30, 2004, and at 100% for the period December 1, 2004, and thereafter.

The Series 1998 Solid Waste Bonds may be redeemed at the option of the City on and after December 1, 2003, in whole on any date or in part on any interest payment date, in inverse order of maturity at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date.

The amount of defeased debt at December 31, 2000, was \$2,505,000. The Series 1995 and 1998 Revenue Bonds are collateralized by the revenue of the solid waste system and the various special funds established by the authorizing ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system, second to establish and maintain the revenue bond funds, and third to pay the cost of replacements made necessary by the depreciation of the system. Any remaining revenues may then be used for redemption of the bonds prior to maturity, as discussed above, for the purchase of bonds not to exceed par and accrued interest, for construction, betterments, and improvements to the system or for any other lawful purpose.

The ordinances also contain provisions which, among other items, restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts and certain financial ratios are met. As of December 31, 2000, the City is in compliance with all applicable requirements. Restricted accounts required by the bond ordinance are as follows:

**Bond Retirement** - Funds for the payment of principal, interest, and trustee and paying agents' fees of \$1,093,621 as of December 31, 2000. Of this amount, \$918,500 is related to the Series 1995 Bonds and \$175,121 is related to the Series 1998 Bonds.

**City of Fort Smith, Arkansas**

**Notes to Financial Statements (Continued)**  
**December 31, 2000**

**Maturity Schedule**

Aggregate maturities of bonds are as follows:

	<u>Sales and Use Tax Bonds</u>	<u>Revenue Bonds</u>
2001	\$ 4,907,505	\$ 5,799,723
2002	4,907,030	5,798,928
2003	4,904,580	5,797,912
2004	4,906,815	5,791,722
2005	4,904,515	5,795,006
Thereafter	<u>13,961,590</u>	<u>54,663,359</u>
Total payments	38,492,035	83,646,650
Less- Interest included above	<u>6,782,035</u>	<u>27,736,650</u>
Total principal	<u>\$31,710,000</u>	<u>\$55,910,000</u>

**Component Units**

***Airport Commission-***

On September 9, 1999, the Airport Commission issued \$5,290,000 of City of Fort Smith, Arkansas Airport Refunding and Improvement Revenue Bonds, Series 1999, dated October 1, 1999. Together with \$177,855 of existing funds, approximately \$4,514,415 of the net proceeds are being used to construct a new terminal, and \$269,275 was used to redeem \$260,000 of Series 1978 Bonds on December 1, 1999.

At December 31, 2000, bonds payable were \$5,290,000. The bonds are due in annual installments at varying amounts through October 1, 2029, with interest ranging from 4.80% to 6.25%, payable semiannually. The bonds outstanding net of unamortized discount at December 31, 2000, were \$5,242,356.

**City of Fort Smith, Arkansas**

**Notes to Financial Statements (Continued)**  
**December 31, 2000**

Maturities of revenue bonds payable for succeeding years are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2001	\$ 319,740
2002	364,740
2003	382,580
2004	404,395
2005	404,850
Thereafter	<u>9,711,600</u>
Total payments	11,587,905
Less- Interest included above	<u>6,297,905</u>
Total bonds outstanding at December 31, 2000	5,290,000
Less- Unamortized bond discount	<u>(47,644)</u>
Net bonds outstanding, December 31, 2000	<u>\$ 5,242,356</u>

The Series 1999 Bonds are subject to optional, extraordinary, and mandatory sinking fund redemption. The Commission may prepay all or a portion of the bonds in inverse order of maturity in whole at any time or in part on any interest payment date on or after October 1, 2009, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. The Series 1999 Bonds must be redeemed from proceeds not needed for the purposes intended on any interest payment date, in whole or in part, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date, in inverse order of maturity. To the extent not previously redeemed, the Series 1999 Bonds maturing on October 1, 2021, and October 1, 2029, are subject to mandatory sinking fund redemption. The bond covenants require the maintenance of the following restricted account:

***Bond Retirement*** - Funds for the payment of principal, interest, and trustee and paying agents' fees of \$406,930 as of December 31, 2000.

***Parking Authority-***

On November 1, 1998, the City issued \$2,025,000 of Parking Facilities Revenue Funding and Improvement Revenue Bonds, Series 1998. Together with \$675,000 of existing funds, approximately \$2,072,000 of the net proceeds are being used to acquire and improve off-street parking facilities, including necessary demolition, and \$849,000 was used to redeem \$825,000 of Series 1991 Bonds on January 1, 1999. In accordance with GASB Statement 23, the unamortized amount was netted against the new debt and is being amortized over the refunded debt's life using the straight-line method, which approximates the effective interest method, since the refunded debt's life is the same as the new debt. The remaining unamortized deferred amount on refunding was \$14,088 as of December 31, 2000.

**City of Fort Smith, Arkansas**

**Notes to Financial Statements (Continued)**  
**December 31, 2000**

The Parking Facilities Refunding and Improvement Revenue Bonds are collateralized by the revenues derived from the operations of parking facilities and by the revenues derived from parking meters located in the City. The restricted account required by the bond ordinance is as follows:

***Bond Retirement*** - Funds for the payment of principal, interest, and trustee and paying agents' fees of \$79,476 as of December 31, 2000.

The Series 1998 Bonds are subject to optional, extraordinary, and mandatory sinking fund redemption. The City may prepay all or a portion of the bonds in inverse order of maturity in whole at any time or in part on any interest payment date on and after December 1, 2003, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date. The Series 1998 Bonds must be redeemed from proceeds not needed for the purposes intended on any interest payment date, in whole or in part, at a redemption price equal to the principal amount being redeemed plus accrued interest to the redemption date, in inverse order of maturity. To the extent not previously redeemed, the Series 1998 Bonds maturing on December 1, 2015, and December 1, 2019, are subject to mandatory sinking fund redemption.

At December 31, 2000, parking authority revenue bonds payable was \$1,960,000. The bonds are due in annual installments at varying amounts through December 1, 2019, with interest ranging from 3.80% to 4.75%, payable semiannually. The bonds outstanding net of unamortized discount and deferred amount on refunding at December 31, 2000, was \$1,913,824.

Maturities of revenue bonds payable for succeeding years are as follows:

2001	\$ 157,485
2002	154,755
2003	156,955
2004	153,918
2005	155,842
Thereafter	<u>2,196,245</u>
Total payments	2,975,200
Less- Interest included above	<u>1,015,200</u>
Bonds outstanding, December 31, 2000	1,960,000
Less-	
Unamortized bond discount	32,088
Deferred amount on refunding	<u>14,088</u>
Net bonds outstanding, December 31, 2000	<u>\$1,913,824</u>

## City of Fort Smith, Arkansas

### Notes to Financial Statements (Continued) December 31, 2000

#### Conduit Debt Obligations

From time to time, the City has issued Industrial Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the state, the City nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2000, there was one series of Industrial Development Revenue Bonds outstanding with an aggregate principal amount payable of \$1,000,000.

#### 5. Risk Management:

The City is exposed to various risks of loss related to the City's self-insurance of workers' compensation and health and other medical benefits provided to employees and retirees, and their dependents and beneficiaries. The City accounts for these programs through the Employee Insurance Fund and Workers' Compensation Fund. Each fund is an internal service fund. In addition, the City limits property and casualty losses and manages risk through the purchase of insurance policies with several different carriers.

All funds of the City participate in the City's insurance programs described in Note 1 and make payments to the respective self-insurance funds based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for future claims. The Airport Commission participates in the City's health plans by making contributions as required by the City. At December 31, 2000, the retained earnings (deficit) balances were \$(2,025,265) and \$958,038 in the Employee Insurance and Workers' Compensation Funds, respectively. The claims liability balances of \$874,333 and \$266,063 reported in the Health Insurance and Workers' Compensation Funds, respectively, are based on the requirements of GASB Statement 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The claims liability includes the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage and subrogation. These liabilities include accruals for claims incurred but not reported, based upon the City's historical claims rate. These liabilities are the City's best estimate based on available information.

Changes in the reported liabilities during 2000 are detailed below:

	<u>Employee Insurance</u>	<u>Workers' Compensation</u>
Self-insurance liability, December 31, 1998	\$ 874,333	\$ 293,335
Current year claims and changes in estimate	3,751,349	475,445
Claim payments	<u>(3,751,349)</u>	<u>(354,295)</u>
Self-insurance liability, December 31, 1999	874,333	414,485
Current year claims and changes in estimate	4,564,379	40,745
Claim payments	<u>(4,564,379)</u>	<u>(189,167)</u>
Self-insurance liability, December 31, 2000	<u>\$ 874,333</u>	<u>\$ 266,063</u>



## **City of Fort Smith, Arkansas**

### **Notes to Financial Statements (Continued) December 31, 2000**

#### **6. Pension Plans:**

##### **Public Employees Retirement System**

###### ***Plan Description-***

Effective April 1, 1997, the Public Employees' Retirement System ("PERS") was converted to a money purchase retirement plan, a defined contribution plan, that is qualified under Section 401(a) of the Internal Revenue Code (the "401(a) Plan"). The International City Management Association Retirement Corporation ("ICMARC") serves as administrator of the 401(a) Plan. All full-time, nonuniformed employees with the exception of the two municipal judges and the Municipal Court Clerk are covered by the 401(a) Plan. Each participant has a plan account to which the contributions are made and each participant manages their account by selecting from various investment options offered by ICMARC. Plan benefits are based upon the total amount of money in an individual's account at retirement. Plan provisions and contribution rates are established by the 401(a) Plan agreement between the Board of Directors and ICMARC. Approval from both the Board of Directors and ICMARC is required for 401(a) Plan amendments. Employees make no contributions to the 401(a) Plan; however, the City makes contributions equal to 10% of each covered employee's earnings. Employer contributions to the PERS plan totaled approximately \$1,500,000 and \$1,400,000 for 2000 and 1999, respectively.

The present value of each PERS active member at March 31, 1997, was transferred to ICMARC in the participant's name. An annuity contract from an insurance company was purchased to continue to provide benefit payments to beneficiaries of PERS. The remaining balance of approximately \$1,700,000 million was transferred to the Employee Insurance Fund to provide for future employee benefits. Additionally, the contract was purchased whereby all beneficiaries will receive a 3% cost of living adjustment every three years beginning January 1, 1998. The present value of the deferred vested members of PERS may be withdrawn or rolled into a qualified plan at the member's choice.

##### **Municipal Judge and Court Clerk's Retirement System**

The City sponsors and administers the Municipal Judge and Court Clerk's Retirement System (the "Plan"), a single-employer defined benefit public employees retirement system, for municipal court judges and the municipal court clerk. The Plan was established by the City in accordance with Arkansas statutes and is included in the City's primary financial reporting entity as a separate pension trust fund. Benefits of one-half of the highest annual salary after 20 years of service are payable at termination and for the remainder of the participant's natural life. Covered payroll of the system for the years ended December 31, 2000 and 1999, was \$186,032 and \$154,841, respectively.

At December 31, 2000 and 1999, the Plan had no active vested members, three nonvested, and one retiree. Funding for the system is provided by the assessment of a fee of \$1.00 for entering upon the records of the Court each criminal case and each moving traffic violation and \$.20 for each summons in a civil action. Total contributions from fines and forfeitures in 2000 and 1999 amounted to \$15,989 and \$16,167, respectively. The City and Plan members are not required to make contributions to the Plan. No actuarial information was obtained for the Plan. Accordingly, information concerning net assets and covered payroll as a percentage of funded excess actuarial liability, as well as other related disclosures which are required by GAAP, are not presented as it involves actuarial information which is unavailable.

## City of Fort Smith, Arkansas

### Notes to Financial Statements (Continued) December 31, 2000

#### ***Basis of Accounting-***

The Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period that the contributions are due. The Plan does not issue separate financial statements.

#### ***Method Used to Value Investments-***

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair values.

#### **Fire Relief and Pension Plan and Police Relief and Pension Plan (the "Old Plans")**

The Fire Relief and Pension Plan and the Police Relief and Pension Plan (the "Old Plans") are agent multi-employer defined benefit pension plans for employees of the Fire and Police Department who were hired prior to January 1, 1983. The Old Plans were established in accordance with Arkansas statutes and were closed, by state law, to new employees effective January 1, 1983. On September 20, 1990, the City entered into an agreement with LOPFI whereby LOPFI assumed responsibility for administration and a portion of the obligation of the Old Plans pursuant to Act 364 of 1981, as amended, and Act 655 of 1983 of the General Assembly of the State of Arkansas. Per the Agreement between the City and LOPFI, the City will contribute an actuarially determined rate sufficient to support the current plan benefit levels and fund the Old Plans' net pension obligation over a 40-year period. The Old Plans' benefit structure remains unchanged under the administration by LOPFI. The Old Plans do not issue separate stand-alone financial statements.

Members and participants of the old plans at December 31, 2000, are:

	<u>Fire</u>	<u>Police</u>
Active members-		
Vested	8	4
Nonvested	5	8
Retirees and beneficiaries	<u>126</u>	<u>92</u>
Total	<u>139</u>	<u>104</u>

#### ***Pension Benefits-***

Pension benefit provisions and all other requirements, including vesting, are established by state statute. Participants in the Old Plans became eligible for membership as of the first day of employment. Members of the Old Plans who retire with 20 years of credited service are entitled to a retirement benefit payable monthly for life equal to one-half of the participant's annual salary. Employees become vested after 20 years of service.

**City of Fort Smith, Arkansas**

**Notes to Financial Statements (Continued)**  
**December 31, 2000**

***Contributions Required and Contributions Made-***

Arkansas state statutes require yearly contributions at a level percentage of covered payroll sufficient to cover the costs of benefit commitments made to participants for their service rendered in that year and, over a reasonable period of time, and to fully cover the unfunded costs of benefit commitments for services previously rendered. The City is required to contribute the actuarially required normal costs and amortized costs of the unfunded actuarial accrued liability. In addition, active employees are required to make contributions equal to 6% of their gross salary to the Old Plans. The contributions for the 2000 plan year were based upon the December 31, 1999, actuary report.

The actuarially required contribution rates as of December 31, 2000, 1999, and 1998, and amounts required by the City and active participants of the Old Plans for 2000, 1999, and 1998 were as follows:

	Fire Plan			Police Plan		
	2000	1999	1998	2000	1999	1998
Employer actuarially required contribution rates	29.46%	31.65%	30.40%	21.92%	23.36%	22.80%
Employer contributions as a percentage of annual covered payroll	29.46%	31.65%	30.40%	21.92%	23.36%	22.80%
Employer contributions to LOPFI	\$587,004	\$611,839	\$620,517	\$317,353	\$336,552	\$285,714
Annual pension cost ("APC")	\$587,004	\$611,839	\$620,517	\$317,353	\$336,552	\$285,714
Percentage of APC contributed	100%	100%	100%	100%	100%	100%
Net pension obligation	\$0	\$0	\$0	\$0	\$0	\$0

The following actuarial methods and assumptions were used to compute the contribution rates for the year ended December 31, 2000, for the Old Plans:

	Old Fire and Police Plans
Valuation date	12/31/99
Cost method	Entry age
Asset valuation method	Reported book value adjusted to partially recognize the difference between book value and market value
Amortization method	Level percentage
Amortization period	31 years open
Assumptions-	
Inflation rate	5.0%
Investment rate of return	7.5%
Projected salary increases	5.0%
Postretirement benefit increases	3.0%

**City of Fort Smith, Arkansas**

**Notes to Financial Statements (Continued)**  
**December 31, 2000**

**Arkansas Local Police and Fire Retirement System (the "New Plans")**

Employees of the City's Fire and Police Department hired subsequent to December 31, 1982, are covered by the state-administered Arkansas Local Police and Fire Retirement System (the "New Plans"), an agent multiple-employer plan. The New Plans are defined benefit plans which were established by Arkansas statutes. The New Plans do not issue separate stand-alone financial statements.

Members and participants of the new plans at December 31, 2000, are:

	<u>Fire</u>	<u>Police</u>
Active members-		
Vested	54	80
Nonvested	41	51
Former members, vested	1	-
Retirees and beneficiaries	<u>2</u>	<u>5</u>
Total	<u>98</u>	<u>136</u>

***Pension Benefits-***

Participants who retire at or after age 55 with 20 years of credited service are entitled to retirement benefits payable annually for life equal to 2% of final average pay for each year of credited service. Benefits are fully vested after 10 years.

***Contributions Required and Contributions Made-***

State statutes require active participants of the New Plans to make contributions equivalent to 6% of their gross salary and their contributions are 100% vested. The City is also required by state statute to contribute the remaining amounts necessary to pay benefits when due, as determined by the New Plans' administrator, as well as fund the Old Plans' unfunded actuarial accrued liability over a 40-year period for the Fire Plan and a 30-year period for the Police Plan.

The actuarially computed contribution rates as of December 31, 2000, 1999, and 1998, and amounts required by the City and active participants of the New Plans for 2000, 1999, and 1998 were as follows:

	<u>Fire Plan</u>			<u>Police Plan</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Employer actuarially required contribution rates	29.46%	31.65%	30.40%	21.92%	23.36%	22.80%
Employer contributions as a percentage of annual covered payroll	29.46%	31.65%	30.40%	21.92%	23.36%	22.80%
Employer contributions to the New Plans	\$999,180	\$772,101	\$642,562	\$1,008,914	\$898,936	\$755,596
Annual pension cost	\$999,180	\$772,101	\$642,562	\$1,008,914	\$898,936	\$755,596
Percentage of APC contributed	100%	100%	100%	100%	100%	100%
Net pension obligation	\$0	\$0	\$0	\$0	\$0	\$0

## City of Fort Smith, Arkansas

### Notes to Financial Statements (Continued) December 31, 2000

The following actuarial methods and assumptions were used to compute the contribution rates for the year ended December 31, 2000, for the New Plans:

	<u>New Fire and Police Plan</u>
Valuation date	12/31/99
Cost method	Entry age
Asset valuation method	Reported book value adjusted to partially recognize the difference between book value and market value
Amortization method	Level percentage
Amortization period	30 years open
Assumptions-	
Inflation rate	5.0%
Investment rate of return	7.5%
Projected salary increases	5.0%
Postretirement benefit increases	3.0%

#### 7. Commitments and Contingencies:

##### Litigation

In the course of business, a number of claims and lawsuits arise from individuals seeking compensation for personal injury, death, and/or property damage resulting from accidents occurring in the City. In addition, the City has been named as a defendant in a number of lawsuits relating to personnel and contractual matters. Management does not believe that the outcome of these claims will have a material adverse effect on the City's financial position. The City appropriates funds as necessary to meet settlements and awards.

##### Contingencies

The City has received federal and state financial awards in the form of grants and entitlements that are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement by the grantor agency for expenditures disallowed under terms and conditions specified in the grant agreements. In the opinion of City management such disallowances, if any, will not be significant.

**City of Fort Smith, Arkansas**

**Notes to Financial Statements (Continued)**  
**December 31, 2000**

**8. Segment Information for Enterprise Funds:**

Segment information for the year ended December 31, 2000, was as follows:

	<u>Water and Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
TOTAL OPERATING REVENUES	\$ 20,765,376	\$ 9,742,313	\$ 30,507,689
DEPRECIATION	\$ 5,804,636	\$ 1,869,950	\$ 7,674,586
OPERATING INCOME	\$ 2,403,620	\$ 737,833	\$ 3,141,453
OPERATING TRANSFERS IN (OUT), net	\$ 1,118,000	\$ (2,000)	\$ 1,116,000
NET INCOME	\$ 3,337,406	\$ 736,915	\$ 4,074,321
CURRENT CONTRIBUTED CAPITAL:			
In aid of construction	\$ 1,099,368	\$ -	\$ 1,099,368
From other governmental units	\$ -	\$ 8,344	\$ 8,344
FIXED ASSETS:			
Additions	\$ 13,986,863	\$ 2,982,529	\$ 16,969,392
Deletions	\$ 179,819	\$ 406,672	\$ 586,491
TOTAL ASSETS	\$167,478,346	\$21,170,929	\$188,649,275
WORKING CAPITAL	\$ 31,880,801	\$ 5,857,636	\$ 37,738,437
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	\$ (63,465)	\$ 61,796	\$ (1,669)
LONG-TERM REVENUE BONDS PAYABLE, net	\$ 43,250,980	\$ 8,470,435	\$ 51,721,415
TOTAL EQUITY	\$117,201,862	\$ 9,322,918	\$126,524,780

City of Fort Smith, Arkansas

Notes to Financial Statements (Continued)  
December 31, 2000

9. Individual Fund Disclosures:

Interfund receivables and payables as of December 31, 2000, are as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$120,472	\$ 4,393
Special Revenue Funds-		
Community Development	2,605	31,604
HOME Investment Partnership Act	-	5,968
Special Grants	-	86,052
Internal Service Funds-		
Working Capital	547	-
Enterprise Funds-		
Sanitation	<u>7,369</u>	<u>2,976</u>
Total	<u>\$130,993</u>	<u>\$130,993</u>

Operating transfers in (out) for the year ended December 31, 2000, are as follows:

<u>Fund</u>	<u>Operating Transfers</u>	
	<u>In</u>	<u>(Out)</u>
<u>Primary Government</u>		
General Fund	\$ 1,534,451	\$ 2,161,421
Special Revenue Funds-		
Sales Tax	-	1,483,405
Street Maintenance	-	32,000
Capital Projects Funds-		
1997 Sales and Use Tax Construction	915,326	-
Enterprise Funds-		
Water and Sewer	8,699,170	7,581,170
Sanitation	3,552,416	3,554,416
Internal Service Funds-		
Employee Insurance	500,000	-
Workers' Compensation	-	500,000

**City of Fort Smith, Arkansas**

**Notes to Financial Statements (Continued)**  
**December 31, 2000**

<u>Fund</u>	<u>Operating Transfers</u>	
	<u>In</u>	<u>(Out)</u>
<u>Component Unit</u>		
Governmental-		
Advertising and Promotion	\$ -	\$ 8,951
Proprietary-		
Parking Authority	<u>120,000</u>	<u>-</u>
Total	<u>\$15,321,363</u>	<u>\$15,321,363</u>

**10. Landfill Closure and Postclosure Care Costs:**

In October 1991, the EPA issued rules and regulations which require the City to place a final cover on its Municipal Solid Waste Landfill ("MSWLF") when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for a period of 30 years following closure of the site.

In 1994, the City adopted GASB Statement 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs." This statement requires that the City recognize a portion of the closure and postclosure care costs referred to above as an operating expense in each fiscal year based on landfill capacity used as of each fiscal year-end, even though such costs will be paid only near or after the date that the landfill stops accepting waste.

The \$2,023,997 reported as landfill closure and postclosure care liability at December 31, 2000, represents the amount calculated to date based on the use of the landfill, in accordance with the City's anticipated closure plan. At December 31, 2000, the percentage of landfill capacity used to date was approximately 26%. The landfill was opened October 9, 1993, and the City expects the landfill to close September 2014. The City will recognize the remaining estimated cost of closure and postclosure care of approximately \$4,550,000 as the remaining estimated capacity is filled. These amounts are based on engineering estimates of what it would cost to perform all closure and postclosure costs, based on the City's anticipated closure plan, through December 31, 2000. Actual costs may be significantly higher due to inflation, changes in technology, or changes in regulations, including the ultimate acceptance of the City's anticipated closure plan by the Arkansas Department of Environmental Quality.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care costs. The amount of financial assurance required by the state as of December 31, 2000, is \$3,751,417. In order to comply with this requirement, the City held an irrevocable standby letter of credit with City National Bank which is pledged to the Arkansas Department of Environmental Quality in the amount of \$3,401,643 at December 31, 2000. The City plans to increase the letter of credit to meet the total required during 2001.

During 2000, the landfill lost one of its largest customers. This customer accounted for approximately 8.5% and 14.4% of total sanitation fund operating revenues during 2000 and 1999, respectively.



**City of Fort Smith, Arkansas**

**Notes to Financial Statements (Continued)**  
**December 31, 2000**

**11. New Applicable GASB Standards:**

In 1998, GASB Statement 33, "Accounting and Financial Reporting for Nonexchange Transactions," was issued. This statement establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources for state and local governments and becomes effective fiscal year 2001. The City has not adopted this statement nor determined the effects of adoption.

In 1999, GASB Statement 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," was issued. This statement establishes that the basic financial statements and required supplementary information for general purpose governments should consist of management's discussion and analysis, basic financial statements which include government-wide financial statements, fund financial statements, and required supplementary information. The government-wide financial statements will require the reporting of all capital assets, including infrastructure assets. This statement becomes effective fiscal year 2003. The City has not adopted this statement nor determined the effects of adoption.

In April 2000, GASB Statement 36, "Recipient Reporting for Certain Shared Nonexchange Revenues, an Amendment of GASB Statement 33," was issued. This statement will be implemented simultaneously with GASB Statement 33. The City has not adopted this statement nor determined the effects of adoption.

**12. Deficit /Retained Earnings:**

The City's Employee Insurance Fund had a retained earnings deficit of \$2,025,265 attributable to unusually high claim experience. The City plans to review its contribution levels as well as employee contribution levels and the City is planning to review cost containment measures as well as other options to reduce the level of claims.

The City's Working Capital Fund had a retained earnings deficit of \$2,529 due to charging various departments less than the cost of fuel and supplies. The deficit will be corrected during 2001 by transferring additional funds from City departmental programs.

**City of Fort Smith, Arkansas**

**Required Supplementary Information  
Analysis of Funding Progress - Pension Plans  
(Unaudited)**

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funded Ratio (1) / (2)	Total Funded Excess (Unfunded) Actuarial Liability* (1) - (2)	Annual Covered Payroll	Ratio of Funded Excess (Unfunded) Actuarial Liability to Annual Covered Payroll (4) / (5)
<b>Fire Relief and Pension Plan:**</b>						
1994	\$(2,027,985)	\$ 6,624,354	-	\$ (8,652,339)***	\$1,913,992	(452)%
1995	\$(4,217,221)	\$ 8,230,070	-	\$ (12,447,291)***	\$1,910,063	(652)%
1996	\$(4,007,264)	\$ 7,447,529	-	\$ (11,454,793)***	\$1,877,185	(610)%
1997	\$(4,911,468)	\$ 5,635,933	-	\$ (10,547,401)***	\$2,041,173	(517)%
1998	\$(4,315,440)	\$ 6,223,637	-	\$ (10,539,077)***	\$1,933,141	(545)%
1999	\$(2,474,548)	\$ 8,068,346	-	\$ (10,542,894)***	\$1,992,547	(529)%
<b>Police Relief and Pension Plan:**</b>						
1994	\$(2,399,409)	\$ 4,666,147	-	\$ (7,065,556)***	\$1,169,052	(604)%
1995	\$(2,610,873)	\$ 6,648,986	-	\$ (9,259,859)***	\$1,232,287	(751)%
1996	\$(3,585,251)	\$ 5,390,583	-	\$ (8,975,834)***	\$1,173,658	(765)%
1997	\$(3,379,844)	\$ 6,556,512	-	\$ (9,936,356)***	\$1,253,131	(793)%
1998	\$(2,809,426)	\$ 7,769,707	-	\$ (10,579,133)***	\$1,440,719	(734)%
1999	\$(1,826,299)	\$ 9,879,089	-	\$ (11,705,388)***	\$1,447,777	(809)%
<b>LOPFI Active Fire:**</b>						
1994	\$ 1,579,092	\$ 1,022,016	155%	\$ 557,076	\$1,280,318	44%
1995	\$ 1,975,757	\$ 1,548,521	128%	\$ 427,236	\$1,595,429	27%
1996	\$ 2,565,516	\$ 1,930,285	133%	\$ 635,231	\$1,835,750	35%
1997	\$ 3,299,777	\$ 2,344,167	141%	\$ 955,610	\$2,113,692	45%
1998	\$ 4,056,200	\$ 3,236,718	125%	\$ 819,482	\$2,439,499	34%
1999	\$ 5,026,128	\$ 3,965,138	127%	\$ 1,060,990	\$3,391,650	31%
<b>LOPFI Active Police:**</b>						
1994	\$ 2,983,161	\$ 1,647,852	181%	\$ 1,335,309	\$2,449,703	55%
1995	\$ 3,524,758	\$ 2,489,392	142%	\$ 1,035,366	\$2,775,843	37%
1996	\$ 4,536,500	\$ 3,082,624	147%	\$ 1,453,876	\$2,960,543	49%
1997	\$ 5,417,729	\$ 3,567,406	152%	\$ 1,850,323	\$3,314,018	56%
1998	\$ 6,739,489	\$ 4,983,351	135%	\$ 1,756,138	\$3,848,184	46%
1999	\$ 8,707,242	\$ 6,800,864	128%	\$ 1,906,378	\$4,602,708	41%

\* Analysis of the dollar amount of actuarial value of Plan assets, actuarial accrued liability and total funded excess (unfunded) actuarial liability in isolation can be misleading. Expressing the actuarial value of Plan assets as a percentage of the actuarial accrued liability provides one indication of each plan's funding status on a going-concern basis. Generally, the greater this percentage, the stronger the plan. Expressing the total funded excess (unfunded) actuarial liability as a percentage of annual covered payroll for the Fire Relief and Pension Plan and Police Relief and Pension Plan approximately adjusts for the effects of inflation and aids analysis of these plans' progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

\*\* Actuarial information for 2000 for these plans is not currently available.

\*\*\* Arkansas LOPFI plan administration policy, as required by state statutes, contains the following provisions: segregate all of the plan's retired participants and fund future benefit payments at 100%; remove these retirees as City obligations while the City realizes the remaining, net unfunded obligation on the segregated retirees; amortize these funded, accrued liabilities over a closed period of 40 years that began September 20, 1990; if the length of the financing period for unfunded liabilities causes closed plan assets to temporarily dip below zero, Arkansas LOPFI would loan the shortages until the financing period is complete as, at that time, Arkansas LOPFI will have been fully reimbursed including investment credits. The negative amounts presented on this schedule indicate that these plans do not have sufficient assets to cover their present retired persons.

This Page Intentionally Left Blank.

**City of Fort Smith, Arkansas**

**Summary of Special Revenue Funds  
For the Fiscal Year Ended December 31, 2000**

STREET MAINTENANCE - To account for operations related to the repair, maintenance, and improvement of City streets and rights-of-way. Revenues collected in the fund are restricted for these uses and are derived from State turnback for gasoline and one-half of the three mill county road tax.

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) - To account for the operations of projects utilizing CDBG funds. Such revenues are restricted to expenditures for specified projects by the Department of Housing and Urban Development.

SALES TAX - To account for projects utilizing City sales tax revenues. Such revenues are restricted for repair, maintenance and improvement of City streets, bridges, and associated drainage.

TILLES PARK - To account for donations received from the Tilles family estate. The money received is restricted for upgrading and maintaining Tilles Park.

HOME INVESTMENT PARTNERSHIP ACT - To account for federal funds administered by the Community Housing Development Organizations (CHDO) and other subrecipients to provide assistance for affordable housing.

SPECIAL GRANTS - To account for federal, state, and local grants received by the City. Current grants include: Economic Development Administration (EDA) for infrastructure projects, Federal Emergency Management Agency (FEMA) assistance, COPS grants, Department of Transportation planning grant, State of Arkansas recycling grants, Arkansas historic preservation grants, and a local grant from Sebastian County for drug law enforcement projects. These funds are restricted to expenditures for approved projects of the various agencies.

LOPFI CONTRIBUTION - To account for the funding of contributions made to the Police and Fire Relief and Pension Plans administered by LOPFI.

City of Fort Smith, Arkansas

Combining Balance Sheet - All Special Revenue Funds  
December 31, 2000, With Comparative Totals for December 31, 1999  
(Continued on following page)

<u>ASSETS</u>	<u>Street Maintenance</u>	<u>Community Development Block Grant</u>	<u>Sales Tax</u>	<u>Tilles Park</u>
CASH	\$ 150	\$ 31,233	\$ -	\$ -
INVESTMENTS	5,537,352	-	26,253,946	2,645
RECEIVABLES, net of allowance for uncollectibles:				
Taxes	1,158,260	-	-	-
Sales taxes	-	-	1,305,309	-
Accounts	1,200	15	-	-
Accrued interest	31,465	-	144,728	15
DUE FROM OTHER FUNDS	-	2,605	-	-
DUE FROM OTHER GOVERNMENTS	-	61,371	-	-
DEPOSITS	-	-	625,817	-
Total Assets	<u>\$6,728,427</u>	<u>\$ 95,224</u>	<u>\$28,329,800</u>	<u>\$ 2,660</u>
<u>LIABILITIES AND EQUITY</u>				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 78,324	\$ 59,185	\$ 416,957	\$ -
Retainage payable	-	1,470	173,195	-
Due to other funds	-	31,604	-	-
Deferred revenues	1,158,260	-	-	-
Other	-	2,323	-	-
Total Liabilities	<u>1,236,584</u>	<u>94,582</u>	<u>590,152</u>	<u>-</u>
EQUITY:				
Reserved for encumbrances	44,802	-	-	-
Reserved for subsequent years' expenditures	-	-	27,739,648	-
Unreserved-				
Designated for subsequent years' expenditures	<u>5,447,041</u>	<u>642</u>	<u>-</u>	<u>2,660</u>
Total Equity	<u>5,491,843</u>	<u>642</u>	<u>27,739,648</u>	<u>2,660</u>
Total Liabilities and Equity	<u>\$6,728,427</u>	<u>\$ 95,224</u>	<u>\$28,329,800</u>	<u>\$ 2,660</u>

Combining Balance Sheet - All Special Revenue Funds  
(Continued)

HOME Investment Partnership Act	Special Grants	LOPFI Contribution	Totals	
			Year Ended	
			December 31, 2000	December 31, 1999
\$ 114,130	\$ -	\$ -	\$ 145,513	\$ 155,022
-	686,632	9,171,638	41,652,213	32,915,777
-	-	1,559,650	2,717,910	2,890,501
-	-	-	1,305,309	1,221,671
2,147	-	29	3,391	4,799
-	3,762	51,489	231,459	152,114
-	-	-	2,605	4,581
25,076	395,438	-	481,885	243,040
-	-	-	625,817	107,779
<u>\$ 141,353</u>	<u>\$1,085,832</u>	<u>\$10,782,806</u>	<u>\$47,166,102</u>	<u>\$37,695,284</u>
\$ 62,109	\$ 28,185	\$ 393,008	\$ 1,037,768	\$ 1,195,103
-	-	-	174,665	206,090
5,968	86,052	-	123,624	179,438
73,276	846,233	1,559,650	3,637,419	3,262,901
-	-	-	2,323	5,323
<u>141,353</u>	<u>960,470</u>	<u>1,952,658</u>	<u>4,975,799</u>	<u>4,848,855</u>
-	-	-	44,802	162,749
-	125,362	-	27,865,010	19,633,636
-	-	8,830,148	14,280,491	13,050,044
-	125,362	8,830,148	42,190,303	32,846,429
<u>\$ 141,353</u>	<u>\$1,085,832</u>	<u>\$10,782,806</u>	<u>\$47,166,102</u>	<u>\$37,695,284</u>

City of Fort Smith, Arkansas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
All Special Revenue Funds  
For the Fiscal Year Ended December 31, 2000,  
With Comparative Totals for the Fiscal Year Ended December 31, 1999  
(Continued on following page)

	Street Maintenance	Community Development Block Grant	Sales Tax	Tilley Park
REVENUES:				
Taxes	\$1,162,145	\$ -	\$ -	\$ -
Sales taxes	-	-	15,453,552	-
Intergovernmental	3,615,346	581,902	-	-
Fines and forfeitures	-	-	-	-
Interest	312,249	-	1,349,973	152
Contributions	-	-	-	-
Miscellaneous	28,112	-	-	400
Total Revenues	<u>5,117,852</u>	<u>581,902</u>	<u>16,803,525</u>	<u>552</u>
EXPENDITURES:				
Current-				
General government	674,587	-	-	-
Public safety	-	-	-	-
Public works	3,315,829	-	7,061,613	-
Community services	97,500	581,902	-	-
Other	-	-	39,218	-
Capital outlay	357,492	-	-	-
Total Expenditures	<u>4,445,408</u>	<u>581,902</u>	<u>7,100,831</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>672,444</u>	<u>-</u>	<u>9,702,694</u>	<u>552</u>
OTHER FINANCING USES:				
Operating transfers out	(32,000)	-	(1,483,405)	-
Total Other Financing Uses	<u>(32,000)</u>	<u>-</u>	<u>(1,483,405)</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	640,444	-	8,219,289	552
RESIDUAL EQUITY TRANSFER OUT	-	-	-	-
FUND BALANCES, beginning of year	<u>4,851,399</u>	<u>642</u>	<u>19,520,359</u>	<u>2,108</u>
FUND BALANCES, end of year	<u>\$5,491,843</u>	<u>\$ 642</u>	<u>\$27,739,648</u>	<u>\$ 2,660</u>

Combining Statement Of Revenues, Expenditures, And Changes In Fund Balances -  
All Special Revenue Funds  
(Continued)

HOME Investment Partnership Act	Special Grants	LOPFI Contribution	Totals	
			Year Ended	
			December 31, 2000	December 31, 1999
\$ -	\$ -	\$1,549,498	\$ 2,711,643	\$ 2,568,469
-	-	-	15,453,552	14,689,273
409,824	2,471,948	942,044	8,021,064	8,627,709
-	-	90,221	90,221	122,734
-	28,602	503,569	2,194,545	1,493,010
-	-	827,858	827,858	738,432
-	9,421	705	38,638	36,038
<u>409,824</u>	<u>2,509,971</u>	<u>3,913,895</u>	<u>29,337,521</u>	<u>28,275,665</u>
-	-	-	674,587	583,615
-	368,897	3,439,760	3,808,657	3,218,613
409,824	1,942,929	-	13,312,097	15,180,628
-	6,643	-	104,143	90,822
-	6,832	2,631	48,681	39,884
-	172,585	-	530,077	588,842
<u>409,824</u>	<u>2,497,886</u>	<u>3,442,391</u>	<u>18,478,242</u>	<u>19,702,404</u>
-	12,085	471,504	10,859,279	8,573,261
-	-	-	(1,515,405)	(1,486,743)
-	-	-	(1,515,405)	(1,486,743)
-	12,085	471,504	9,343,874	7,086,518
-	-	-	-	(347,396)
-	113,277	8,358,644	32,846,429	26,107,307
<u>\$ -</u>	<u>\$ 125,362</u>	<u>\$8,830,148</u>	<u>\$42,190,303</u>	<u>\$32,846,429</u>



This Page Intentionally Left Blank.

**City of Fort Smith, Arkansas**

**Summary of Capital Projects Funds  
For the Fiscal Year Ended December 31, 2000**

SIDEWALK CONSTRUCTION - To account for resources utilized to construct sidewalks within the City limits. Revenues collected for sidewalk construction include contributions from the community and permit assessments on new construction. Projects are selected by the City Board of Directors. The fund is perpetual.

1997 SALES AND USE TAX CONSTRUCTION – To account for the construction of the civic center, public library, and riverfront park projects approved by the 1997 sales and use tax referendum approved in October 1997. Bond proceeds from the 1997 issue of sales and use tax bonds fund the three projects.

City of Fort Smith, Arkansas

Combining Balance Sheet - All Capital Projects Funds  
December 31, 2000, With Comparative Totals for December 31, 1999

			Totals	
			Year Ended	
			December 31,	December 31,
			2000	1999
<b>ASSETS</b>				
INVESTMENTS	Sidewalk Construction	1997 Sales and Use Tax Construction		
	\$445,732	\$8,726,279	\$9,172,011	\$37,821,135
RECEIVABLES:				
Accounts	-	-	-	23,104
Accrued interest	2,275	34,318	36,593	142,771
DEPOSITS	-	15,100	15,100	328,974
Total Assets	<u>\$448,007</u>	<u>\$8,775,697</u>	<u>\$9,223,704</u>	<u>\$38,315,984</u>
<b>LIABILITIES AND EQUITY</b>				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ -	\$1,686,525	\$1,686,525	\$ 2,510,035
Retainage payable	-	1,856,833	1,856,833	698,791
Due to other funds	-	-	-	10,853
Other long-term obligations	-	807,867	807,867	613,458
Total Liabilities	-	4,351,225	4,351,225	3,833,137
EQUITY:				
Unreserved-				
Designated for subsequent years' expenditures	448,007	4,424,472	4,872,479	34,482,847
Total Equity	448,007	4,424,472	4,872,479	34,482,847
Total Liabilities and Equity	<u>\$448,007</u>	<u>\$8,775,697</u>	<u>\$9,223,704</u>	<u>\$38,315,984</u>

City of Fort Smith, Arkansas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -  
All Capital Projects Funds  
For the Fiscal Year Ended December 31, 2000,  
With Comparative Totals for the Fiscal Year Ended December 31, 1999

	Sidewalk Construction	1997 Sales and Use Tax Construction	Totals Year Ended	
			December 31, 2000	December 31, 1999
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 4,749,998
Licenses and permits	177,370	-	177,370	186,850
Interest	23,642	1,315,137	1,338,779	1,542,526
Decrease in fair value of investments	-	(77,170)	(77,170)	(392,617)
Contributions	-	204,226	204,226	276,420
Other	-	1,091	1,091	11,681
Total Revenues	<u>201,012</u>	<u>1,443,284</u>	<u>1,644,296</u>	<u>6,374,858</u>
EXPENDITURES:				
Current-				
Public works	202,554	-	202,554	166,052
Capital outlay	-	31,967,436	31,967,436	15,625,721
Total Expenditures	<u>202,554</u>	<u>31,967,436</u>	<u>32,169,990</u>	<u>15,791,773</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(1,542)</u>	<u>(30,524,152)</u>	<u>(30,525,694)</u>	<u>(9,416,915)</u>
OTHER FINANCING SOURCES:				
Operating transfers in	-	915,326	915,326	356,223
Total other financing sources	-	915,326	915,326	356,223
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES	<u>(1,542)</u>	<u>(29,608,826)</u>	<u>(29,610,368)</u>	<u>(9,060,692)</u>
FUND BALANCES, beginning of year	<u>449,549</u>	<u>34,033,298</u>	<u>34,482,847</u>	<u>43,543,539</u>
FUND BALANCES, end of year	<u>\$448,007</u>	<u>\$ 4,424,472</u>	<u>\$ 4,872,479</u>	<u>\$34,482,847</u>

This Page Intentionally Left Blank.

**City of Fort Smith, Arkansas**

**Summary of Enterprise Funds**

**For the Fiscal Year Ended December 31, 2000**

WATER AND SEWER - To account for the provision of water and sewer services to residential, commercial, and industrial customers of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and related debt service.

SANITATION - To account for the provision of sanitation services to residential, commercial, and industrial customers of the City. Sanitary landfill services are also accounted for in this fund. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and related debt service.

City of Fort Smith, Arkansas

Combining Balance Sheet - All Enterprise Funds  
December 31, 2000, With Comparative Totals for December 31, 1999

ASSETS	Water and Sewer	Sanitation	Totals	
			December 31, 2000	December 31, 1999
CASH	\$ 575	\$ 1,100	\$ 1,675	\$ 29,836
INVESTMENTS	2,705,208	874,865	3,580,073	4,678,429
RECEIVABLES, net of allowance for uncollectibles:				
Sales taxes	-	-	-	394,627
Accounts	2,300,180	673,154	2,973,334	2,407,443
Accrued interest	16,031	6,891	22,922	20,953
INVENTORY	574,776	-	574,776	451,848
RESTRICTED ASSETS:				
Cash	4,918	72,708	77,626	51,134
Investments	31,827,125	5,505,033	37,332,158	42,280,314
Accounts receivable, net of allowances for uncollectibles	-	42,686	42,686	7,792
Interest receivable	324,484	27,409	351,893	219,472
Due from other funds	-	7,369	7,369	973,441
Prepaid items and deposits	289,187	-	289,187	977
FIXED ASSETS, net of accumulated depreciation	129,011,487	13,890,887	142,902,374	133,635,738
DEFERRED CHARGES	424,375	68,827	493,202	529,031
Total Assets	<u>\$167,478,346</u>	<u>\$21,170,929</u>	<u>\$188,649,275</u>	<u>\$185,681,035</u>

City of Fort Smith, Arkansas

Combining Balance Sheet - All Enterprise Funds  
December 31, 2000, With Comparative Totals for December 31, 1999

LIABILITIES AND EQUITY	Water and Sewer	Sanitation	Totals	
			December 31, 2000	December 31, 1999
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 622,210	\$ 410,808	\$ 1,033,018	\$ 1,024,030
Liability for accrued vacation and sick leave	656,889	218,422	875,311	763,262
Liability for landfill closure and postclosure care	-	2,023,997	2,023,997	1,694,287
Payable from restricted assets-				
Accrued interest	623,135	41,849	664,984	690,285
Revenue bonds payable, current	2,140,000	665,000	2,805,000	2,690,000
Accounts payable and accrued liabilities	1,914,688	14,524	1,929,212	1,012,553
Deposits	838,556	-	838,556	817,385
Retainage payable	204,761	-	204,761	257,987
Due to other funds	-	2,976	2,976	973,441
Revenue bonds payable, net	43,250,980	8,470,435	51,721,415	54,392,038
Other	25,265	-	25,265	23,020
Total Liabilities	50,276,484	11,848,011	62,124,495	64,338,288
EQUITY:				
Contributed capital-				
From other municipalities or governmental units	11,850,571	37,862	11,888,433	12,274,022
In aid of construction	32,737,338	-	32,737,338	32,703,047
Retained earnings-				
Reserved for bond retirement	4,648,103	1,093,621	5,741,724	5,425,367
Reserved for landfill closure and postclosure care	-	3,016,946	3,016,946	2,687,236
Reserved for asset replacement	500,000	119,521	619,521	583,164
Reserved for construction	-	305,836	305,836	253,605
Unreserved	67,465,850	4,749,132	72,214,982	67,416,306
Total Equity	117,201,862	9,322,918	126,524,780	121,342,747
Total Liabilities and Equity	\$167,478,346	\$21,170,929	\$188,649,275	\$185,681,035



This Page Intentionally Left Blank.

City of Fort Smith, Arkansas

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings -  
All Enterprise Funds  
For the Fiscal Year Ended December 31, 2000,  
With Comparative Totals for the Fiscal Year Ended December 31, 1999

	Water and Sewer	Sanitation	Totals	
			December 31, 2000	December 31, 1999
OPERATING REVENUES:				
Water service	\$12,296,756	\$ -	\$12,296,756	\$ 9,240,470
Sewer service	7,952,646	-	7,952,646	6,870,186
Charges for services	484,031	9,742,313	10,226,344	8,399,008
Other	31,943	-	31,943	33,698
Total Operating Revenues	<u>20,765,376</u>	<u>9,742,313</u>	<u>30,507,689</u>	<u>24,543,362</u>
OPERATING EXPENSES:				
Personnel services	7,919,796	4,106,744	12,026,540	10,940,691
Contractual services	928,074	1,335,908	2,263,982	2,285,018
Materials and supplies	2,730,385	1,670,428	4,400,813	4,327,925
Heat, light, and power	978,865	21,450	1,000,315	887,061
Depreciation	<u>5,804,636</u>	<u>1,869,950</u>	<u>7,674,586</u>	<u>7,308,494</u>
Total Operating Expenses	<u>18,361,756</u>	<u>9,004,480</u>	<u>27,366,236</u>	<u>25,749,189</u>
OPERATING INCOME (LOSS)	<u>2,403,620</u>	<u>737,833</u>	<u>3,141,453</u>	<u>(1,205,827)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	2,280,906	412,913	2,693,819	1,343,448
Increase (decrease) in fair value of investments	53,419	876	54,295	(31,004)
Interest expense and fiscal charges	(2,561,255)	(528,529)	(3,089,784)	(2,166,075)
Other nonoperating revenues	<u>42,716</u>	<u>115,822</u>	<u>158,538</u>	<u>4,967,050</u>
Total Nonoperating Revenues (Expenses)	<u>(184,214)</u>	<u>1,082</u>	<u>(183,132)</u>	<u>4,113,419</u>
Income Before Operating Transfers	2,219,406	738,915	2,958,321	2,907,592
OPERATING TRANSFERS IN	8,699,170	3,552,416	12,251,586	8,611,742
OPERATING TRANSFERS OUT	<u>(7,581,170)</u>	<u>(3,554,416)</u>	<u>(11,135,586)</u>	<u>(11,193,410)</u>
Net Income	3,337,406	736,915	4,074,321	325,924
Add back- Depreciation on contributed assets	1,459,010	-	1,459,010	-
RETAINED EARNINGS, beginning of year	<u>67,817,537</u>	<u>8,548,141</u>	<u>76,365,678</u>	<u>76,039,754</u>
RETAINED EARNINGS, end of year	<u>\$72,613,953</u>	<u>\$9,285,056</u>	<u>\$81,899,009</u>	<u>\$76,365,678</u>

City of Fort Smith, Arkansas

Combining Statement of Cash Flows -  
All Enterprise Funds  
For The Fiscal Year Ended December 31, 2000,  
With Comparative Totals for the Fiscal Year Ended December 31, 1999  
(Continued on following page)

	Water and Sewer	Sanitation	Totals	
			December 31, 2000	December 31, 1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers	\$21,149,085	\$9,752,431	\$30,901,516	\$20,906,950
Cash Payments for Goods and Services	(6,024,063)	(3,107,748)	(9,131,811)	(6,701,949)
Cash Payments to Employees	(7,787,226)	(4,060,338)	(11,847,564)	(10,560,557)
Cash Received from Other Operating Revenues	459,595	121,582	581,177	10,078,582
Net Cash Provided by Operating Activities	7,797,391	2,705,927	10,503,318	13,723,026
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Operating Transfers-in from Other Funds	8,699,170	3,552,416	12,251,586	8,611,742
Operating Transfers-out to Other Funds	(7,581,170)	(3,554,416)	(11,135,586)	(11,193,410)
Net Cash Provided by (Used for) Noncapital Financing Activities	1,118,000	(2,000)	1,116,000	(2,581,668)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from Bonds	-	-	-	25,720,326
Proceeds from Sale of Fixed Assets	52,552	78,665	131,217	124,796
Proceeds from Insurance and FEMA Settlement	-	-	-	1,985,229
Acquisition and Construction of Capital Assets	(12,024,740)	(2,618,444)	(14,643,184)	(9,978,809)
Principal Paid on Revenue Bonds	(2,055,000)	(635,000)	(2,690,000)	(1,780,000)
Interest Paid on Revenue Bonds	(2,554,945)	(524,311)	(3,079,256)	(2,053,934)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(16,582,133)	(3,699,090)	(20,281,223)	14,017,608
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from Sales and Maturities of Investment Securities	46,768,503	6,127,658	52,896,161	37,964,079
Outlays for Purchases of Investment Securities	(41,368,849)	(5,480,800)	(46,849,649)	(64,218,140)
Interest on Investments	2,203,623	410,101	2,613,724	1,157,010
Net Cash Provided by (Used for) Investing Activities	7,603,277	1,056,959	8,660,236	(25,097,051)
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	(63,465)	61,796	(1,669)	61,915
<b>CASH AND RESTRICTED CASH, January 1</b>	68,958	12,012	80,970	19,055
<b>CASH AND RESTRICTED CASH, December 31</b>	\$ 5,493	\$ 73,808	\$ 79,301	\$ 80,970

City of Fort Smith, Arkansas

Combining Statement of Cash Flows -  
All Enterprise Funds

For the Fiscal Year Ended December 31, 2000,

With Comparative Totals for the Fiscal Year Ended December 31, 1999

(Continued)

	Water and Sewer	Sanitation	Totals	
			December 31, 2000	December 31, 1999
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$2,403,620	\$ 737,833	\$ 3,141,453	\$ (1,205,827)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities-				
Depreciation	5,804,636	1,869,950	7,674,586	7,308,494
Miscellaneous Revenue	85,744	75,954	161,698	5,222,582
Change in Assets and Liabilities-				
Accounts Receivable	(610,903)	10,118	(600,785)	(675,644)
Sales Tax Receivable	325,567	69,060	394,627	(20,478)
Due From Other Funds	973,441	(7,369)	966,072	(73,479)
Inventory	(122,928)	-	(122,928)	158,794
Prepaid Items	(288,210)	-	(288,210)	31,737
Advances to Other Funds	-	-	-	2,666,668
Accounts Payable and Accrued Liabilities	114,771	(102,966)	11,805	191,885
Deposits	21,171	-	21,171	32,745
Liability for Accrued Vacation and Sick Leave	61,678	50,371	112,049	5,541
Due To Other Funds	(973,441)	2,976	(970,465)	73,479
Other Liabilities	2,245	-	2,245	6,529
Total Adjustments	5,393,771	1,968,094	7,361,865	14,928,853
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$7,797,391	\$2,705,927	\$10,503,318	\$13,723,026

NONCASH INVESTING, CAPITAL, AND FINANCING  
ACTIVITIES:

Enterprise Funds-

Water and Sewer Fund received contributions of capital assets of \$1,099,368 and \$881,754 for 2000 and 1999, respectively, and recognized a \$53,419 increase in fair value of investments in 2000 and a \$12,913 decrease in fair value of investments in 1999.

Sanitation Fund recognized an \$876 increase in fair value of investments in 2000 and an \$18,091 decrease in fair value of investments in 1999 and received contributions of capital assets of \$8,344 for 2000. The 1998 advance refunding of solid waste revenue bonds results in a cash flow difference of \$38,643 for 2000 and \$36,713 for 1999.

City of Fort Smith, Arkansas

Combining Schedule of Revenues, Expenses, and Changes in Retained Earnings -  
Budget and Actual - Water and Sewer Operating and Sanitation Operating Funds  
For the Fiscal Year Ended December 31, 2000  
(Continued on following page)

	Water and Sewer Operating				
	Actual	Adjustments to Budgetary Basis	Actual On a Budgetary Basis	Budget	Variance- Favorable (Unfavorable)
<b>OPERATING REVENUES:</b>					
Water service	\$12,296,756	\$ -	\$12,296,756	\$12,489,310	\$ (192,554)
Sewer service	7,952,646	-	7,952,646	8,098,730	(146,084)
Charges for services	484,031	-	484,031	422,000	62,031
Other	31,943	-	31,943	35,000	(3,057)
Total Operating Revenues	<u>20,765,376</u>	<u>-</u>	<u>20,765,376</u>	<u>21,045,040</u>	<u>(279,664)</u>
<b>OPERATING EXPENSES:</b>					
Personnel services	7,919,796	-	7,919,796	8,530,270	610,474
Contractual services	928,074	194,046	1,122,120	1,308,200	186,080
Materials and supplies	2,730,385	79,324	2,809,709	2,971,527	161,818
Heat, light, and power	978,865	-	978,865	990,302	11,437
Depreciation	5,804,636	(5,804,636)	-	-	-
Total Operating Expenses	<u>18,361,756</u>	<u>(5,531,266)</u>	<u>12,830,490</u>	<u>13,800,299</u>	<u>969,809</u>
<b>OPERATING INCOME (LOSS)</b>	<u>2,403,620</u>	<u>5,531,266</u>	<u>7,934,886</u>	<u>7,244,741</u>	<u>690,145</u>
<b>NONOPERATING REVENUES:</b>					
Interest revenue	236,786	-	236,786	235,000	1,786
Other nonoperating revenues	147,580	-	147,580	85,000	62,580
Total Nonoperating Revenues	<u>384,366</u>	<u>-</u>	<u>384,366</u>	<u>320,000</u>	<u>64,366</u>
Income Before Operating Transfers	2,787,986	5,531,266	8,319,252	7,564,741	754,511
OPERATING TRANSFERS IN	1,180,000	-	1,180,000	1,180,000	-
OPERATING TRANSFERS OUT	<u>(7,581,170)</u>	<u>-</u>	<u>(7,581,170)</u>	<u>(7,581,170)</u>	<u>-</u>
Net Income (Loss)	<u>(3,613,184)</u>	<u>5,531,266</u>	<u>1,918,082</u>	<u>1,163,571</u>	<u>754,511</u>
Add back- Depreciation on contributed assets	1,459,010	(1,459,010)	-	-	-
RETAINED EARNINGS, beginning of year	<u>2,248,744</u>	<u>-</u>	<u>2,248,744</u>	<u>2,248,744</u>	<u>-</u>
RETAINED EARNINGS, end of year	<u>\$ 94,570</u>	<u>\$4,072,256</u>	<u>\$ 4,166,826</u>	<u>\$ 3,412,315</u>	<u>\$ 754,511</u>

Combining Schedule of Revenues, Expenses, and Changes in Retained Earnings -  
Budget and Actual - Water and Sewer Operating and Sanitation Operating Funds  
(Continued)

Sanitation Operating				
Actual	Adjustments to Budgetary Basis	Actual On a Budgetary Basis	Budget	Variance- Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
9,742,313	-	9,742,313	11,409,050	(1,666,737)
-	-	-	-	-
<u>9,742,313</u>	<u>-</u>	<u>9,742,313</u>	<u>11,409,050</u>	<u>(1,666,737)</u>
3,991,128	-	3,991,128	4,066,468	75,340
1,220,596	46,785	1,267,381	1,410,903	143,522
1,324,621	12,925	1,337,546	1,341,311	3,765
21,450	-	21,450	22,648	1,198
<u>1,869,950</u>	<u>(1,869,950)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>8,427,745</u>	<u>(1,810,240)</u>	<u>6,617,505</u>	<u>6,841,330</u>	<u>223,825</u>
<u>1,314,568</u>	<u>1,810,240</u>	<u>3,124,808</u>	<u>4,567,720</u>	<u>(1,442,912)</u>
87,307	-	87,307	182,400	(95,093)
<u>117,687</u>	<u>-</u>	<u>117,687</u>	<u>40,000</u>	<u>77,687</u>
<u>204,994</u>	<u>-</u>	<u>204,994</u>	<u>222,400</u>	<u>(17,406)</u>
1,519,562	1,810,240	3,329,802	4,790,120	(1,460,318)
30,000	-	30,000	30,000	-
<u>(3,554,416)</u>	<u>-</u>	<u>(3,554,416)</u>	<u>(3,554,416)</u>	<u>-</u>
(2,004,854)	1,810,240	(194,614)	1,265,704	(1,460,318)
-	-	-	-	-
<u>7,022,300</u>	<u>-</u>	<u>7,022,300</u>	<u>7,022,300</u>	<u>-</u>
<u>\$5,017,446</u>	<u>\$1,810,240</u>	<u>\$6,827,686</u>	<u>\$8,288,004</u>	<u>\$(1,460,318)</u>

This Page Intentionally Left Blank.

**City of Fort Smith, Arkansas**

**Summary of Internal Service Funds  
For the Fiscal Year Ended December 31, 2000**

WORKING CAPITAL - To account for the accumulation and allocation of costs associated with vehicle maintenance, warehouse, and office supplies.

EMPLOYEE INSURANCE - To account for monthly premiums contributed by the City and its employees for health insurance coverage and to provide for payment of life insurance premiums. The plan is self-insured with Blue Cross-Blue Shield of Arkansas acting as paying agent for claims. Premiums are accumulated in this fund for the payment of employee insurance claims.

WORKERS' COMPENSATION - To account for amounts contributed for workers' compensation. Workers' compensation contributions are accumulated in this fund for the payment of workers' compensation claims.



City of Fort Smith, Arkansas

Combining Balance Sheet - All Internal Service Funds  
December 31, 2000, With Comparative Totals for December 31, 1999

ASSETS	Working Capital	Employee Insurance	Workers' Compensation	Totals	
				December 31,	
				2000	1999
CASH	\$ 977	\$ 305,127	\$ 40,989	\$ 347,093	\$ 165,815
INVESTMENTS	-	316,113	1,186,511	1,502,624	2,774,399
RECEIVABLES, net of allowance for uncollectibles:					
Accounts	269	17,244	1,688	19,201	34,063
Accrued interest	-	4,022	6,963	10,985	12,574
INVENTORY, at cost	24,535	-	-	24,535	30,426
DUE FROM OTHER FUNDS	547	-	-	547	443
PREPAID ITEMS	-	-	-	-	14
Total Assets	<u>\$26,328</u>	<u>\$ 642,506</u>	<u>\$1,236,151</u>	<u>\$1,904,985</u>	<u>\$3,017,734</u>
 <u>LIABILITIES AND EQUITY</u>					
LIABILITIES:					
Accounts payable and accrued liabilities	\$26,482	\$ 98,318	\$ 12,050	\$ 136,850	\$ 134,956
Liability for insured events	-	874,333	266,063	1,140,396	1,288,818
Total Liabilities	<u>26,482</u>	<u>972,651</u>	<u>278,113</u>	<u>1,277,246</u>	<u>1,423,774</u>
EQUITY:					
Contributed capital	2,375	1,695,120	-	1,697,495	1,697,495
Retained earnings-					
Reserved for health insurance and					
workers' compensation	-	(2,025,265)	958,038	(1,067,227)	(120,143)
Unreserved	(2,529)	-	-	(2,529)	16,608
Total Equity	<u>(154)</u>	<u>(330,145)</u>	<u>958,038</u>	<u>627,739</u>	<u>1,593,960</u>
Total Liabilities and Equity	<u>\$26,328</u>	<u>\$ 642,506</u>	<u>\$1,236,151</u>	<u>\$1,904,985</u>	<u>\$3,017,734</u>

City of Fort Smith, Arkansas

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings -  
All Internal Service Funds  
For the Fiscal Year Ended December 31, 2000,  
With Comparative Totals for the Fiscal Year Ended December 31, 1999

	Working Capital	Employee Insurance	Workers' Compensation	Totals December 31,	
				2000	1999
OPERATING REVENUES:					
Charges for services	\$394,754	\$ -	\$ -	\$ 394,754	\$ 250,111
Contributions	-	3,723,225	284,470	4,007,695	3,378,364
Total Operating Revenues	394,754	3,723,225	284,470	4,402,449	3,628,475
OPERATING EXPENSES:					
Contractual services	-	301,512	53,979	355,491	323,116
Materials and supplies	413,891	-	-	413,891	271,031
Premium payments	-	354,716	-	354,716	180,565
Claims for insured events	-	4,209,663	189,167	4,398,830	3,925,079
Total Operating Expenses	413,891	4,865,891	243,146	5,522,928	4,699,791
OPERATING INCOME (LOSS)	(19,137)	(1,142,666)	41,324	(1,120,479)	(1,071,316)
NONOPERATING REVENUES:					
Interest revenue	-	60,699	93,559	154,258	168,617
Total Nonoperating Revenues	-	60,699	93,559	154,258	168,617
NET INCOME (LOSS) BEFORE OPERATING TRANSFERS	(19,137)	(1,081,967)	134,883	(966,221)	(902,699)
OPERATING TRANSFERS IN	-	500,000	-	500,000	-
OPERATING TRANSFERS OUT	-	-	(500,000)	(500,000)	-
NET LOSS	(19,137)	(581,967)	(365,117)	(966,221)	(902,699)
RETAINED EARNINGS, beginning of year	16,608	(1,443,298)	1,323,155	(103,535)	799,164
RETAINED EARNINGS, end of year	\$ (2,529)	\$ (2,025,265)	\$ 958,038	\$ (1,069,756)	\$ (103,535)

City of Fort Smith, Arkansas

Combining Statement of Cash Flows -  
All Internal Service Funds  
For the Fiscal Year Ended December 31, 2000,  
With Comparative Totals for the Fiscal Year Ended December 31, 1999  
(Continued on following page)

	Working Capital	Employee Insurance	Workers' Compensation	Totals December 31,	
				2000	1999
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash Received from Service Users	\$394,381	\$ -	\$ -	\$ 394,381	\$ 250,116
Cash Received from City and Employee Contributions	-	3,740,044	282,782	4,022,826	3,347,424
Cash Payments for Goods and Services	(395,623)	-	(52,786)	(448,409)	(591,292)
Cash Payments for Premiums and Other Operating Expenses	-	(467,061)	-	(467,061)	(50,783)
Cash Payments for Claims Paid	-	(4,410,492)	(337,589)	(4,748,081)	(3,803,929)
Net Cash Used for Operating Activities	(1,242)	(1,137,509)	(107,593)	(1,246,344)	(848,464)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Operating transfers in	-	500,000	-	500,000	-
Operating transfers out	-	-	(500,000)	(500,000)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	-	500,000	(500,000)	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Proceeds from Sales and Maturities of Investment Securities	-	1,198,773	908,882	2,107,655	1,243,417
Outlays for Purchases of Investment Securities	-	(449,017)	(386,863)	(835,880)	(474,401)
Interest on Investments	-	61,619	94,228	155,847	170,619
Net Cash Provided by Investing Activities	-	811,375	616,247	1,427,622	939,635
<b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	(1,242)	173,866	8,654	181,278	91,171
<b>CASH AND RESTRICTED CASH, January 1</b>	2,219	131,261	32,335	165,815	74,644
<b>CASH AND RESTRICTED CASH, December 31</b>	\$ 977	\$305,127	\$ 40,989	\$ 347,093	\$ 165,815

City of Fort Smith, Arkansas

Combining Statement of Cash Flows -

All Internal Service Funds

For the Fiscal Year Ended December 31, 2000,

With Comparative Totals for the Fiscal Year Ended December 31, 1999

(Continued)

	Working Capital	Employee Insurance	Workers' Compensation	Totals December 31,	
				2000	1999
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ (19,137)	\$(1,142,666)	\$ 41,324	\$(1,120,479)	\$(1,071,316)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities-					
Change in Assets and Liabilities-					
Accounts Receivable	(269)	16,819	(1,688)	14,862	(30,940)
Due from Other Funds	(104)	-	-	(104)	5
Inventory	5,891	-	-	5,891	3,424
Prepaid Items	-	14	-	14	92,913
Accounts Payable and Accrued Liabilities	12,377	(11,676)	1,193	1,894	36,300
Liability for Insured Events	-	-	(148,422)	(148,422)	121,150
Total Adjustments	17,895	5,157	(148,917)	(125,865)	222,852
NET CASH USED FOR OPERATING ACTIVITIES	\$ (1,242)	\$(1,137,509)	\$(107,593)	\$(1,246,344)	\$ (848,464)

This Page Intentionally Left Blank.

**City of Fort Smith, Arkansas**

**Summary of Fiduciary Funds**

**For the Fiscal Year Ended December 31, 2000**

**PENSION TRUST FUNDS:**

Municipal Court Retirement - To account for assets held by the City in a trustee capacity for active and retired judges and court clerks of the City's Municipal Court Department. The fund is a defined benefit plan instituted by the Arkansas State Legislature.

**AGENCY FUND:**

Payroll - To account for the collection and payment of the City's payroll and associated liabilities.

City of Fort Smith, Arkansas

Combining Balance Sheet - All Fiduciary Funds  
December 31, 2000, With Comparative Totals for December 31, 1999

	Pension Trust Fund Municipal Court Retirement	Agency Fund Payroll	Totals	
			December 31, 2000	December 31, 1999
<u>ASSETS</u>				
CASH	\$ -	\$ 874	\$ 874	\$ 31
INVESTMENTS	847,212	-	847,212	793,013
RECEIVABLES, net of allowances for uncollectibles:				
Accounts	30	-	30	7
Accrued interest	<u>4,707</u>	<u>-</u>	<u>4,707</u>	<u>3,450</u>
Total Assets	<u>\$851,949</u>	<u>\$ 874</u>	<u>\$852,823</u>	<u>\$796,501</u>
<u>LIABILITIES AND EQUITY</u>				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ -	\$ 874	\$ 874	\$ 31
Total Liabilities	<u>-</u>	<u>874</u>	<u>874</u>	<u>31</u>
EQUITY:				
Reserved for employees' pension benefits	<u>851,949</u>	<u>-</u>	<u>851,949</u>	<u>796,470</u>
Total Equity	<u>851,949</u>	<u>-</u>	<u>851,949</u>	<u>796,470</u>
Total Liabilities and Equity	<u>\$851,949</u>	<u>\$ 874</u>	<u>\$852,823</u>	<u>\$796,501</u>

City of Fort Smith, Arkansas

Statement of Changes in Plan Net Assets

All Pension Trust Funds

For the Fiscal Years Ended December 31, 2000,

With Comparative Totals for Fiscal Year Ended December 31, 1999

	<u>2000</u>	<u>1999</u>
ADDITIONS:		
Court fines and fees	\$ 15,989	\$ 16,167
Investment earnings	<u>48,909</u>	<u>37,782</u>
Total additions	<u>64,898</u>	<u>53,949</u>
DEDUCTIONS:		
Benefit payments	<u>9,419</u>	<u>9,419</u>
Total deductions	<u>9,419</u>	<u>9,419</u>
INCREASE IN NET ASSETS	55,479	44,530
NET ASSETS, beginning of year	<u>796,470</u>	<u>751,940</u>
NET ASSETS, end of year	<u>\$851,949</u>	<u>\$796,470</u>



**City of Fort Smith, Arkansas**

**Combining Statement of Changes in Assets and Liabilities - Payroll Fund  
For the Fiscal Year Ended December 31, 2000**

	<u>Payroll</u>
CASH BALANCE, January 1	\$ 31
Additions	28,923,351
Deductions	<u>(28,922,508)</u>
CASH BALANCE, December 31	<u>874</u>
Total Assets	<u>\$ 874</u>
<u>LIABILITIES</u>	
ACCOUNTS PAYABLE BALANCE, January 1	\$ 31
Additions	15,645,649
Deductions	<u>(15,644,806)</u>
ACCOUNTS PAYABLE BALANCE, December 31	<u>874</u>
Total Liabilities	<u>\$ 874</u>

**City of Fort Smith, Arkansas**

**Summary of General Fixed Assets Account Group  
For the Fiscal Year Ended December 31, 2000**

GENERAL FIXED ASSETS ACCOUNT GROUP - A self-balancing group of accounts established to account for fixed assets of the City not accounted for through proprietary funds or trust funds.

**City of Fort Smith, Arkansas**

**Schedule of General Fixed Assets - By Source  
December 31, 2000**

**GENERAL FIXED ASSETS:**

Land	\$ 9,520,087
Buildings	19,994,280
Improvements other than buildings	5,311,466
Machinery and equipment	13,887,934
Construction in progress	<u>44,593,856</u>

Total General Fixed Assets	<u>\$93,307,623</u>
----------------------------	---------------------

**INVESTMENT IN GENERAL FIXED ASSETS BY SOURCE:**

Bond issues	\$63,153,503
Current revenues-	
General fund	19,551,675
Special revenue funds	9,186,109
Contributions	<u>1,416,336</u>

Total Investment in General Fixed Assets	<u>\$93,307,623</u>
--	---------------------

City of Fort Smith, Arkansas

Schedule of General Fixed Assets - By Function and Activity  
December 31, 2000

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Construction in Progress</u>	<u>Total</u>
GENERAL GOVERNMENT:						
Administration	\$ -	\$ 26,610	\$ 27,758	\$ 801,150	\$ -	\$ 855,518
Legal	-	-	24,005	246,404	-	270,409
Finance	-	55,305	53,840	493,480	-	602,625
PUBLIC SAFETY:						
Police	1,150,000	5,273,015	92,140	3,372,619	-	9,887,774
Fire	307,191	2,808,569	-	3,981,118	-	7,096,878
PUBLIC WORKS:						
Operations	-	-	54,689	99,678	-	154,367
Streets	-	-	-	2,760,626	-	2,760,626
Traffic Control	-	-	-	405,946	-	405,946
COMMUNITY SERVICE:						
Parks and Recreation	882,658	4,588,691	4,977,783	892,743	4,510,013	15,851,888
OTHER	<u>7,180,238</u>	<u>7,242,090</u>	<u>81,251</u>	<u>834,170</u>	<u>40,083,843</u>	<u>55,421,592</u>
Total	<u>\$9,520,087</u>	<u>\$19,994,280</u>	<u>\$5,311,466</u>	<u>\$13,887,934</u>	<u>\$44,593,856</u>	<u>\$93,307,623</u>

**City of Fort Smith, Arkansas**

**Schedule of Changes in General Fixed Assets -  
By Function and Activity  
For the Fiscal Year Ended December 31, 2000**

	General Fixed Assets December 31, 1999	Additions	Deletions	Transfers	General Fixed Assets December 31, 2000
<b>GENERAL GOVERNMENT:</b>					
Administration	\$ 812,763	\$ 70,494	\$ 27,739	\$ -	\$ 855,518
Legal	270,409	-	-	-	270,409
Finance	485,587	125,305	8,267	-	602,625
<b>PUBLIC SAFETY:</b>					
Police	9,368,701	592,060	72,987	-	9,887,774
Fire	6,954,517	142,361	-	-	7,096,878
<b>PUBLIC WORKS:</b>					
Operations	154,367	-	-	-	154,367
Streets	2,595,510	302,666	137,550	-	2,760,626
Traffic Control	363,655	54,825	12,534	-	405,946
<b>COMMUNITY SERVICE:</b>					
Parks and Recreation	10,787,570	5,064,318	-	-	15,851,888
<b>OTHER</b>	<u>26,136,376</u>	<u>28,317,915</u>	<u>-</u>	<u>967,301</u>	<u>55,421,592</u>
Total	<u>\$57,929,455</u>	<u>\$34,669,944</u>	<u>\$259,077</u>	<u>\$967,301</u>	<u>\$93,307,623</u>

**City of Fort Smith, Arkansas**

**Summary of Discretely Presented Component Units  
For the Fiscal Year Ended December 31, 2000**

PROPRIETARY FUND TYPES – ENTERPRISE FUNDS:

Airport Commission – To account for the provision of regional airport services. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing, and related debt service.

Parking Authority – To account for the provision of parking facilities within the City. All services necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, financing, and related debt service.

GOVERNMENTAL FUND TYPES – SPECIAL REVENUE FUNDS:

Advertising and Promotion – To account for the operations of the Advertising and Promotion Commission utilizing revenues from the hotel/motel tax. These revenues are restricted to expenditures of the Advertising and Promotion Commission to promote the City and increase tourism.

Public Library – To account for the operations of the Fort Smith Public Library in providing library services to citizens.

City of Fort Smith, Arkansas

Combining Balance Sheet – Component Unit Proprietary Funds  
December 31, 2000, With Comparative Totals for December 31, 1999  
(Continued on following page)

ASSETS	Airport Commission	Parking Authority	Totals	
			Year Ended	
			December 31, 2000	December 31, 1999
CASH	\$ 125,805	\$ -	\$ 125,805	\$ 562,565
INVESTMENTS	2,400,000	-	2,400,000	2,150,000
RECEIVABLES, net of allowances for uncollectibles:				
Accounts	39,075	2,332	41,407	54,008
Accrued interest	45,258	1,046	46,304	14,903
INVENTORY, at cost	3,263	-	3,263	3,296
PREPAID ITEMS	39,862	1,681	41,543	119,981
RESTRICTED ASSETS:				
Cash	742,944	-	742,944	250,304
Investments	4,911,513	233,081	5,144,594	5,595,527
Accounts receivable, net of allowances for uncollectibles	276,364	-	276,364	415,582
Accrued interest	172,055	-	172,055	43,502
FIXED ASSETS, net of accumulated depreciation	27,261,285	2,442,801	29,704,086	27,212,882
DEFERRED CHARGES	268,916	30,811	299,727	398,071
Total Assets	<u>\$36,286,340</u>	<u>\$2,711,752</u>	<u>\$38,998,092</u>	<u>\$36,820,621</u>

City of Fort Smith, Arkansas

Combining Balance Sheet – Component Unit Proprietary Funds  
December 31, 2000, With Comparative Totals for December 31, 1999  
(Continued)

LIABILITIES AND EQUITY	Airport Commission	Parking Authority	Totals	
			Year Ended	
			December 31, 2000	December 31, 1999
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 97,721	\$ 12,376	\$ 110,097	\$ 704,548
Liability for accrued vacation and sick leave	-	10,789	10,789	11,783
Payable from restricted assets-				
Accrued interest	79,935	7,290	87,225	87,431
Revenue bonds payable, current	-	70,000	70,000	65,000
Accounts payable	160,584	-	160,584	-
Revenue bonds payable	5,242,356	1,843,824	7,086,180	7,145,591
Other	422,460	-	422,460	532,565
Total Liabilities	6,003,056	1,944,279	7,947,335	8,546,918
EQUITY:				
Contributed capital-				
From other municipalities or governmental units	23,130,638	410,295	23,540,933	21,252,562
Retained earnings-				
Reserved for bond retirement	406,930	79,476	486,406	486,406
Unreserved	6,745,716	277,702	7,023,418	6,534,735
Total Equity	30,283,284	767,473	31,050,757	28,273,703
Total Liabilities and Equity	\$36,286,340	\$2,711,752	\$38,998,092	\$36,820,621



City of Fort Smith, Arkansas

Combining Statement of Revenues, Expenses and Changes in Retained Earnings -  
Component Unit Proprietary Funds  
For the Fiscal Year Ended December 31, 2000,  
With Comparative Totals for December 31, 1999

	Airport Commission	Parking Authority	Totals Year Ended	
			December 31, 2000	December 31, 1999
OPERATING REVENUES:				
Charges for services	\$1,611,950	\$208,587	\$1,820,537	\$1,490,708
Other	<u>368,401</u>	<u>-</u>	<u>368,401</u>	<u>345,470</u>
Total Operating Revenues	<u>1,980,351</u>	<u>208,587</u>	<u>2,188,938</u>	<u>1,836,178</u>
OPERATING EXPENSES:				
Personnel services	593,626	123,373	716,999	690,170
Contractual services	491,630	47,167	538,797	333,464
Materials and supplies	52,520	15,652	68,172	127,295
Heat, light, and power	80,699	7,570	88,269	85,451
Depreciation	1,620,480	73,963	1,694,443	1,635,802
Miscellaneous	<u>46,666</u>	<u>-</u>	<u>46,666</u>	<u>45,737</u>
Total Operating Expenses	<u>2,885,621</u>	<u>267,725</u>	<u>3,153,346</u>	<u>2,917,919</u>
OPERATING LOSS	<u>(905,270)</u>	<u>(59,138)</u>	<u>(964,408)</u>	<u>(1,081,741)</u>
NONOPERATING REVENUES (EXPENSES):				
Interest	210,748	17,710	228,458	213,210
Interest expense and fiscal charges	(47,112)	(89,749)	(136,861)	(120,698)
Other nonoperating expenses, net	<u>(74,271)</u>	<u>(10,740)</u>	<u>(85,011)</u>	<u>175,222</u>
Total Nonoperating Revenues (Expenses), Net	<u>89,365</u>	<u>(82,779)</u>	<u>6,586</u>	<u>267,734</u>
Loss Before Operating Transfers	(815,905)	(141,917)	(957,822)	(814,007)
OPERATING TRANSFERS FROM PRIMARY GOVERNMENT	<u>-</u>	<u>120,000</u>	<u>120,000</u>	<u>110,000</u>
Net Loss	(815,905)	(21,917)	(837,822)	(704,007)
ADD BACK DEPRECIATION ON CONTRIBUTED ASSETS	1,326,505	-	1,326,505	1,277,419
RETAINED EARNINGS, beginning of year	<u>6,642,046</u>	<u>379,095</u>	<u>7,021,141</u>	<u>6,447,729</u>
RETAINED EARNINGS, end of year	<u>\$7,152,646</u>	<u>\$357,178</u>	<u>\$7,509,824</u>	<u>\$7,021,141</u>

City of Fort Smith, Arkansas

Combining Statement of Cash Flows

Component Unit Proprietary Funds

For the Fiscal Year Ended December 31, 2000,

With Comparative Totals for the Fiscal Year Ended December 31, 1999

(Continued on Following Page)

			Totals	
			Year Ended	
	Airport Commission	Parking Authority	December 31, 2000	December 31, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$1,512,613	\$ 210,426	\$1,723,039	\$1,512,291
Cash payments for goods and services	(598,959)	8,357	(590,602)	(511,090)
Cash payments to employees	(606,688)	(124,308)	(730,996)	(692,707)
Cash payments for other operating expenses	(46,666)	-	(46,666)	(45,737)
Cash received from other operating revenues	<u>365,070</u>	<u>-</u>	<u>365,070</u>	<u>345,470</u>
Net Cash Provided by Operating Activities	<u>625,370</u>	<u>94,475</u>	<u>719,845</u>	<u>608,227</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating transfers-in from primary government	-	120,000	120,000	110,000
Operating transfers-out to primary government	<u>-</u>	<u>-</u>	<u>-</u>	<u>(589,504)</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>-</u>	<u>120,000</u>	<u>120,000</u>	<u>(479,504)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Bonds proceeds	-	-	-	5,044,060
Proceeds from grants	3,754,094	-	3,754,094	3,057,970
Acquisition and construction of capital assets	(4,439,768)	(171,125)	(4,610,893)	(3,649,796)
Principal paid on revenue bonds	-	(65,000)	(65,000)	(168,580)
Interest and fiscal charges paid on revenue bonds	<u>(322,638)</u>	<u>(89,955)</u>	<u>(412,593)</u>	<u>(112,916)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(1,008,312)</u>	<u>(326,080)</u>	<u>(1,334,392)</u>	<u>4,170,738</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investment securities	6,086,557	170,270	6,256,827	4,179,110
Outlays for purchases of investment securities	(5,979,141)	(76,753)	(6,055,894)	(7,982,386)
Interest on investments	<u>331,406</u>	<u>18,088</u>	<u>349,494</u>	<u>166,936</u>
Net Cash Provided by (Used for) Investing Activities	<u>438,822</u>	<u>111,605</u>	<u>550,427</u>	<u>(3,636,340)</u>
NET INCREASE IN CASH AND RESTRICTED CASH	55,880	-	55,880	663,121
CASH AND RESTRICTED CASH, beginning of year	<u>812,869</u>	<u>-</u>	<u>812,869</u>	<u>149,748</u>
CASH AND RESTRICTED CASH, end of year	<u>\$ 868,749</u>	<u>\$ -</u>	<u>\$ 868,749</u>	<u>\$ 812,869</u>

City of Fort Smith, Arkansas

Combining Statement of Cash Flows

Component Unit Proprietary Funds

For the Fiscal Year Ended December 31, 2000,

With Comparative Totals for the Fiscal Year Ended December 31, 1999

(Continued)

	Airport Commission	Parking Authority	Totals	
			Year Ended	
			December 31, 2000	December 31, 1999
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating loss	\$ (905,270)	\$ (59,138)	\$ (964,408)	\$(1,081,741)
Adjustments to reconcile operating loss to net cash provided by operating activities-				
Depreciation	1,620,480	73,963	1,694,443	1,635,802
Miscellaneous revenue	-	6	6	233,279
Changes in assets and liabilities-				
Accounts receivable	10,768	1,833	12,601	(198,962)
Inventory	33	-	33	(1,602)
Prepaid items	(8,562)	87,000	78,438	(87,951)
Accounts payable and accrued liabilities	21,357	(8,195)	13,162	122,231
Liability for accrued vacation and sick leave	-	(994)	(994)	(2,648)
Other liabilities	(113,436)	-	(113,436)	(10,181)
Total adjustments	1,530,640	153,613	1,684,253	1,689,968
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 625,370	\$ 94,475	\$ 719,845	\$ 608,227

City of Fort Smith, Arkansas

Combining Balance Sheet – Component Unit Governmental Funds  
December 31, 2000, With Comparative Totals for December 31, 1999

ASSETS	Advertising and Promotion	Public Library	Totals	
			Year Ended	
			December 31, 2000	December 31, 1999
CASH	\$ 25	\$ 759,360	\$ 759,385	\$ 768,899
INVESTMENTS	157,666	131,669	289,335	262,199
RECEIVABLES, net of allowances for uncollectibles:				
Taxes	26,376	-	26,376	15,367
Sales taxes	-	139,667	139,667	117,010
Accounts	-	65,186	65,186	70,096
Accrued interest	830	1,378	2,208	620
INVENTORY, at cost	-	5,000	5,000	5,000
PREPAID ITEMS	-	41,592	41,592	32,847
FIXED ASSETS, net of accumulated depreciation	-	462,230	462,230	847,073
Total Assets	<u>\$184,897</u>	<u>\$1,606,082</u>	<u>\$1,790,979</u>	<u>\$2,119,111</u>
<u>LIABILITIES AND EQUITY AND OTHER CREDITS</u>				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 9,596	\$ 26,787	\$ 36,383	\$ 31,507
Total Liabilities	<u>9,596</u>	<u>26,787</u>	<u>36,383</u>	<u>31,507</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	462,230	462,230	847,073
Fund balances-				
Reserved for prepaid items	-	41,592	41,592	32,847
Reserved for subsequent years' expenditures	-	-	-	25,000
Unreserved-				
Designated for subsequent years' expenditures	<u>175,301</u>	<u>1,075,473</u>	<u>1,250,774</u>	<u>1,182,684</u>
Total Equity and Other Credits	<u>175,301</u>	<u>1,579,295</u>	<u>1,754,596</u>	<u>2,087,604</u>
Total Liabilities and Equity and Other Credits	<u>\$184,897</u>	<u>\$1,606,082</u>	<u>\$1,790,979</u>	<u>\$2,119,111</u>

City of Fort Smith, Arkansas

Combining Statement of Revenues, Expenditures and Changes in Fund Balances –  
Component Unit Governmental Funds  
For the Fiscal Year Ended December 31, 2000,  
With Comparative Totals for December 31, 1999

			Totals	
			Year Ended	
	Advertising and Promotion	Public Library	December 31, 2000	December 31, 1999
REVENUES:				
Taxes	\$325,640	\$ 774,740	\$1,100,380	\$1,029,934
Sales taxes	-	757,496	757,496	694,322
Intergovernmental	-	254,666	254,666	191,477
Fees for services	-	59,803	59,803	71,383
Interest	5,884	29,597	35,481	32,836
(Increase) decrease in fair value of investments	-	(40,915)	(40,915)	88
Contributions	4,301	25,188	29,489	37,875
Miscellaneous	-	13,093	13,093	1,399
Total Revenues	<u>335,825</u>	<u>1,873,668</u>	<u>2,209,493</u>	<u>2,059,314</u>
EXPENDITURES:				
Current-				
Community services	-	1,886,275	1,886,275	1,733,690
Other	<u>250,261</u>	<u>70,096</u>	<u>320,357</u>	<u>314,431</u>
Total Expenditures	<u>250,261</u>	<u>1,956,371</u>	<u>2,206,632</u>	<u>2,048,121</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>85,564</u>	<u>(82,703)</u>	<u>2,861</u>	<u>11,193</u>
OTHER FINANCING USES:				
Operating transfers to primary government	(8,951)	-	(8,951)	(8,847)
Loss on disposition of assets	-	(326,918)	(326,918)	-
Total other financing uses	<u>(8,951)</u>	<u>(326,918)</u>	<u>(335,869)</u>	<u>(8,847)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	76,613	(409,621)	(333,008)	2,346
FUND BALANCES, beginning of year	<u>98,688</u>	<u>1,988,916</u>	<u>2,087,604</u>	<u>2,085,258</u>
FUND BALANCES, end of year	<u>\$175,301</u>	<u>\$1,579,295</u>	<u>\$1,754,596</u>	<u>\$2,087,604</u>

This Page Intentionally Left Blank.

**City of Fort Smith, Arkansas**

**Combining Balance Sheet - All Water and Sewer Funds**

**December 31, 2000, With Comparative Totals for December 31, 1999**

**(Continued on Following Page)**

<u>ASSETS</u>	<u>Water and Sewer Operating</u>	<u>Water and Sewer Depreciation</u>	<u>Meter Deposit</u>	<u>Water and Sewer Bond</u>
CASH	\$ 575	\$ -	\$ -	\$ -
INVESTMENTS	2,705,208	-	-	-
RECEIVABLES, net of allowances for uncollectibles:				
Sales taxes	-	-	-	-
Accounts	2,300,180	-	-	-
Accrued interest	16,031	-	-	-
INVENTORY	574,776	-	-	-
RESTRICTED ASSETS:				
Cash	-	-	4,918	-
Investments	-	497,057	828,736	983,818
Interest receivable	-	2,943	4,902	4,244
Due from other funds	-	-	-	-
Prepaid items and deposits	-	-	-	181,431
FIXED ASSETS, net of accumulated depreciation	40,386,650	-	-	-
DEFERRED CHARGES	-	-	-	424,375
Total Assets	<u>\$45,983,420</u>	<u>\$500,000</u>	<u>\$838,556</u>	<u>\$1,593,868</u>

**Combining Balance Sheet - All Water and Sewer Funds  
(Continued)**

Water and Sewer Capital Improvements	Totals	
	December 31, 2000	December 31, 1999
\$ -	\$ 575	\$ 28,736
-	2,705,208	2,605,414
-	-	325,567
-	2,300,180	1,689,277
-	16,031	11,767
-	574,776	451,848
-	4,918	40,222
29,517,514	31,827,125	37,326,573
312,395	324,484	198,046
-	-	973,441
107,756	289,187	977
88,624,837	129,011,487	120,825,103
-	<u>424,375</u>	<u>453,590</u>
<u>\$118,562,502</u>	<u>\$167,478,346</u>	<u>\$164,930,561</u>



City of Fort Smith, Arkansas

Combining Balance Sheet - All Water and Sewer Funds  
December 31, 2000, With Comparative Totals for December 31, 1999  
(Continued on Following Page)

<u>LIABILITIES AND EQUITY</u>	<u>Water and Sewer Operating</u>	<u>Water and Sewer Depreciation</u>	<u>Meter Deposit</u>	<u>Water and Sewer Bond</u>
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities	\$ 622,210	\$ -	\$ -	\$ -
Liability for accrued vacation and sick leave	656,889	-	-	-
Payable from restricted assets-				
Accrued interest	-	-	-	623,135
Revenue bonds payable, current	-	-	-	2,140,000
Accounts payable and accrued expenses	-	-	-	-
Deposits	-	-	838,556	-
Retainage payable	-	-	-	-
Due to other funds	-	-	-	-
Revenue bonds payable	-	-	-	43,250,980
Other	<u>25,265</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>1,304,364</u>	<u>-</u>	<u>838,556</u>	<u>46,014,115</u>
<b>EQUITY:</b>				
Contributed capital-				
From other municipalities or governmental units	11,850,571	-	-	-
In aid of construction	32,733,915	-	-	-
Retained earnings (deficit)-				
Reserved for bond retirement	-	-	-	4,648,103
Reserved for asset replacement	-	500,000	-	-
Unreserved	<u>94,570</u>	<u>-</u>	<u>-</u>	<u>(49,068,350)</u>
Total Equity	<u>44,679,056</u>	<u>500,000</u>	<u>-</u>	<u>(44,420,247)</u>
Total Liabilities and Equity	<u>\$45,983,420</u>	<u>\$500,000</u>	<u>\$838,556</u>	<u>\$ 1,593,868</u>

**Combining Balance Sheet - All Water and Sewer Funds (Continued)**  
**(Continued)**

Water and Sewer Capital Improvements	Totals	
	December 31, 2000	December 31, 1999
\$ -	\$ 622,210	\$ 507,439
-	656,889	595,211
-	623,135	646,040
-	2,140,000	2,055,000
1,914,688	1,914,688	994,550
-	838,556	817,385
204,761	204,761	257,987
-	-	973,441
-	43,250,980	45,295,400
-	25,265	23,020
<u>2,119,449</u>	<u>50,276,484</u>	<u>52,165,473</u>
-	11,850,571	12,244,504
3,423	32,737,338	32,703,047
-	4,648,103	4,648,103
-	500,000	500,000
<u>116,439,630</u>	<u>67,465,850</u>	<u>62,669,434</u>
<u>116,443,053</u>	<u>117,201,862</u>	<u>112,765,088</u>
<u>\$118,562,502</u>	<u>\$167,478,346</u>	<u>\$164,930,561</u>

City of Fort Smith, Arkansas

Combining Schedule of Revenues, Expenses, and Changes in Retained Earnings-  
All Water and Sewer Funds

For the Fiscal Year Ended December 31, 2000,

With Comparative Totals for the Fiscal Year Ended December 31, 1999

(Continued on Following Page)

	Water and Sewer <u>Operating</u>	Water and Sewer <u>Depreciation</u>	Meter <u>Deposit</u>	Water and Sewer <u>Bond</u>
OPERATING REVENUES:				
Water service	\$12,296,756	\$ -	\$ -	\$ -
Sewer service	7,952,646	-	-	-
Charges for services	484,031	-	-	-
Other	<u>31,943</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Revenues	<u>20,765,376</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING EXPENSES:				
Personnel services	7,919,796	-	-	-
Contractual services	928,074	-	-	-
Materials and supplies	2,730,385	-	-	-
Heat, light, and power	978,865	-	-	-
Depreciation	<u>5,804,636</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>18,361,756</u>	<u>-</u>	<u>-</u>	<u>-</u>
OPERATING INCOME (LOSS)	<u>2,403,620</u>	<u>-</u>	<u>-</u>	<u>-</u>
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	236,786	-	-	90,493
Increase (decrease) in fair value of investments	-	-	-	-
Interest expense and fiscal charges	-	-	-	(2,561,255)
Other nonoperating revenues (expenses)	<u>147,580</u>	<u>-</u>	<u>-</u>	<u>(143,864)</u>
Total Nonoperating Revenues (Expenses)	<u>384,366</u>	<u>-</u>	<u>-</u>	<u>(2,614,626)</u>
Income (Loss) Before Operating Transfers	2,787,986	-	-	(2,614,626)
OPERATING TRANSFERS IN	1,180,000	-	-	4,639,170
OPERATING TRANSFERS OUT	<u>(7,581,170)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	(3,613,184)	-	-	2,024,544
Add back- Depreciation on contributed capital	1,459,010	-	-	-
RETAINED EARNINGS (DEFICIT), beginning of year	<u>2,248,744</u>	<u>500,000</u>	<u>-</u>	<u>(46,444,791)</u>
RETAINED EARNINGS (DEFICIT), end of year	<u>\$ 94,570</u>	<u>\$500,000</u>	<u>\$ -</u>	<u>\$(44,420,247)</u>

**Combining Schedule of Revenues, Expenses, and Changes in Retained Earnings-  
All Water and Sewer Funds  
(Continued)**

Water and Sewer Capital Improvements	Totals	
	December 31, 2000	December 31, 1999
\$ -	\$12,296,756	\$ 9,240,470
-	7,952,646	6,870,186
-	484,031	541,958
-	<u>31,943</u>	<u>33,698</u>
-	<u>20,765,376</u>	<u>16,686,312</u>
-	7,919,796	7,235,791
-	928,074	981,388
-	2,730,385	2,821,532
-	978,865	867,631
-	<u>5,804,636</u>	<u>4,970,278</u>
-	<u>18,361,756</u>	<u>16,876,620</u>
-	<u>2,403,620</u>	<u>(190,308)</u>
1,953,627	2,280,906	980,183
53,419	53,419	(12,913)
-	(2,561,255)	(1,610,697)
<u>39,000</u>	<u>42,716</u>	<u>3,864,140</u>
<u>2,046,046</u>	<u>(184,214)</u>	<u>3,220,713</u>
2,046,046	2,219,406	3,030,405
2,880,000	8,699,170	6,824,132
-	<u>(7,581,170)</u>	<u>(8,157,466)</u>
4,926,046	3,337,406	1,697,071
-	1,459,010	-
<u>111,513,584</u>	<u>67,817,537</u>	<u>66,120,466</u>
<u>\$116,439,630</u>	<u>\$72,613,953</u>	<u>\$67,817,537</u>

City of Fort Smith, Arkansas

Combining Balance Sheet - All Sanitation Funds  
December 31, 2000, with Comparative Totals for December 31, 1999  
(Continued on Following Page)

<u>ASSETS</u>	<u>Operating</u>	<u>Solid Waste Bond</u>	<u>Cleanup Demolition Program</u>	<u>Sanitation Sinking</u>
CASH	\$ 1,100	\$ -	\$ -	\$ -
INVESTMENTS	874,865	-	-	-
RECEIVABLES, net of allowances for uncollectibles:				
Sales taxes	-	-	-	-
Accounts	673,154	-	-	-
Accrued interest	6,891	-	-	-
RESTRICTED ASSETS:				
Cash	-	72,708	-	-
Investments	-	1,161,169	298,927	4,044,937
Accounts receivable, net of allowances for uncollectibles	-	29,083	13,603	-
Interest receivable	-	6,359	1,453	19,597
Due from other funds	-	-	4,393	2,976
FIXED ASSETS, net of accumulated depreciation	4,127,950	-	-	9,762,937
DEFERRED CHARGES	-	68,827	-	-
Total Assets	<u>\$5,683,960</u>	<u>\$1,338,146</u>	<u>\$318,376</u>	<u>\$13,830,447</u>

**Combining Balance Sheet - All Sanitation Funds  
(Continued)**

Totals	
December 31, 2000	December 31, 1999
\$ 1,100	\$ 1,100
874,865	2,073,015
-	69,060
673,154	718,166
6,891	9,186
72,708	10,912
5,505,033	4,953,741
42,686	7,792
27,409	21,426
7,369	-
13,890,887	12,810,635
<u>68,827</u>	<u>75,441</u>
<u>\$21,170,929</u>	<u>\$20,750,474</u>

City of Fort Smith, Arkansas

Combining Balance Sheet - All Sanitation Funds

December 31, 2000, with Comparative Totals for December 31, 1999

(Continued on following page)

<u>LIABILITIES AND EQUITY</u>	<u>Operating</u>	<u>Solid Waste Bond</u>	<u>Cleanup Demolition Program</u>	<u>Sanitation Sinking</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 410,808	\$ -	\$ -	\$ -
Liability for accrued vacation and sick leave	214,868	-	3,554	-
Liability for landfill closure and postclosure care	-	-	-	2,023,997
Payable from restricted assets-				
Accrued interest	-	41,849	-	-
Revenue bonds payable, current	-	665,000	-	-
Accounts payable and accrued expenses	-	1,042	8,986	4,496
Revenue bonds payable, net	-	8,470,435	-	-
Due to other funds	<u>2,976</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>628,652</u>	<u>9,178,326</u>	<u>12,540</u>	<u>2,028,493</u>
EQUITY:				
Contributed capital-				
From other municipalities or governmental units	37,862	-	-	-
Retained earnings-				
Reserved for bond retirement	-	1,093,621	-	-
Reserved for landfill closure and postclosure care	-	-	-	3,016,946
Reserved for asset replacement	119,521	-	-	-
Reserved for construction	-	-	305,836	-
Unreserved	<u>4,897,925</u>	<u>(8,933,801)</u>	<u>-</u>	<u>8,785,008</u>
Total Equity	<u>5,055,308</u>	<u>(7,840,180)</u>	<u>305,836</u>	<u>11,801,954</u>
Total Liabilities and Equity	<u>\$5,683,960</u>	<u>\$1,338,146</u>	<u>\$318,376</u>	<u>\$13,830,447</u>

**Combining Balance Sheet - All Sanitation Funds  
(Continued)**

Totals	
December 31, 2000	December 31, 1999
\$ 410,808	\$ 516,591
218,422	168,051
2,023,997	1,694,287
41,849	44,245
665,000	635,000
14,524	18,003
8,470,435	9,096,638
2,976	-
<u>11,848,011</u>	<u>12,172,815</u>
37,862	29,518
1,093,621	777,264
3,016,946	2,687,236
119,521	83,164
305,836	253,605
<u>4,749,132</u>	<u>4,746,872</u>
<u>9,322,918</u>	<u>8,577,659</u>
<u>\$21,170,929</u>	<u>\$20,750,474</u>



City of Fort Smith, Arkansas

Combining Schedule of Revenues, Expenses, and Changes in Retained Earnings -  
All Sanitation Funds

For the Fiscal Year Ended December 31, 2000,  
With Comparative Totals for December 31, 1999  
(Continued on following page)

	<u>Operating</u>	<u>Solid Waste Bond</u>	<u>Cleanup Demolition Program</u>	<u>Sanitation Sinking</u>
OPERATING REVENUES:				
Charges for services	\$9,742,313	\$ -	\$ -	\$ -
OPERATING EXPENSES:				
Personnel services	3,991,128	-	115,616	-
Contractual services	1,220,596	-	115,312	-
Materials and supplies	1,324,621	-	16,097	329,710
Heat, light, and power	21,450	-	-	-
Depreciation	1,869,950	-	-	-
Total Operating Expenses	8,427,745	-	247,025	329,710
OPERATING INCOME (LOSS)	1,314,568	-	(247,025)	(329,710)
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	87,307	78,920	16,261	230,425
Increase (decrease) in fair value of investments	-	876	-	-
Interest and fiscal charges	-	(528,529)	-	-
Other nonoperating revenues (expenses)	117,687	(54,860)	52,995	-
Total Nonoperating Revenues (Expenses)	204,994	(503,593)	69,256	230,425
Income (Loss) Before Operating Transfers	1,519,562	(503,593)	(117,769)	(99,285)
OPERATING TRANSFERS IN	30,000	1,165,940	230,000	2,126,476
OPERATING TRANSFERS OUT	(3,554,416)	-	-	-
Net Income (Loss)	(2,004,854)	662,347	52,231	2,027,191
RETAINED EARNINGS (DEFICIT), beginning of year	7,022,300	(8,502,527)	253,605	9,774,763
RETAINED EARNINGS (DEFICIT), end of year	\$5,017,446	\$ (7,840,180)	\$305,836	\$11,801,954

Combining Schedule of Revenues, Expenses, and Changes in Retained Earnings -  
All Sanitation Funds  
(Continued)

Totals	
December 31, 2000	December 31, 1999
<u>\$9,742,313</u>	<u>\$7,857,050</u>
4,106,744	3,704,900
1,335,908	1,303,630
1,670,428	1,506,393
21,450	19,430
<u>1,869,950</u>	<u>2,338,216</u>
<u>9,004,480</u>	<u>8,872,569</u>
<u>737,833</u>	<u>(1,015,519)</u>
412,913	363,265
876	(18,091)
(528,529)	(555,378)
<u>115,822</u>	<u>1,102,910</u>
<u>1,082</u>	<u>892,706</u>
738,915	(122,813)
3,552,416	1,787,610
<u>(3,554,416)</u>	<u>(3,035,944)</u>
736,915	(1,371,147)
<u>8,548,141</u>	<u>9,919,288</u>
<u>\$9,285,056</u>	<u>\$8,548,141</u>

This Page Intentionally Left Blank.

## **Report of Independent Public Accountants on Compliance and Internal Control**

To the Honorable Mayor,  
Board of Directors and City Administrator,  
City of Fort Smith, Arkansas:

We have audited the general purpose financial statements of the City of Fort Smith, Arkansas as of and for the year ended December 31, 2000, and have issued our report thereon dated May 1, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the City's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the City in a separate letter dated May 1, 2001.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City in a separate letter dated May 1, 2001.

This report is intended solely for the information of the Mayor, Board of Directors, City management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Arthur Andersen LLP*

Dallas, Texas,  
May 1, 2001

## **Report of Independent Public Accountants on Compliance and Internal Control Related to Federal and State Programs**

To the Honorable Mayor,  
Board of Directors and City Administrator,  
City of Fort Smith, Arkansas:

### **Compliance**

We have audited the compliance of the City of Fort Smith, Arkansas with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal and state programs for the year ended December 31, 2000. The City's major federal and state programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal and state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal and state programs occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in item 00-01 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding fringe benefits that are applicable to its COPS grant. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended December 31, 2000.

### **Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on major federal and state programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to major federal and state programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated May 1, 2001.

This report is intended solely for the information of the Mayor, Board of Directors, City management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Arthur Andersen LLP*

Dallas, Texas,  
May 1, 2001

City of Fort Smith, Arkansas

Schedule of Expenditures of Federal and State Awards  
For the Year Ended December 31, 2000  
(Continued on following page)

<u>Granting Agency/Grant Program</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
<b>FEDERAL AWARDS:</b>			
Department of Housing and Urban Development Direct Federal Payments -			
Community Development Block Grants-			
Twenty Third Entitlement	14.218	B98MC0500003	\$ 374,643
Twenty Fourth Entitlement	14.218	B99MC0500003	207,259
Home Investment Partnership Act	14.239	M99MC050202	<u>409,824</u>
Total Department of Housing and Urban Development			<u>991,726</u>
Department of Justice-			
COPS Universal Hiring Award	16.710	95CCWX0110	303,663
BJA/LLEBG	16.592	98LBVX2111	3,600
BJA/LLEBG	16.592	00LBVX0916	49,069
BJA/LLEBG	16.592	00LBBX1310	20,651
Passed through the Arkansas State Department of Finance and Administration-			
Drug Control and Systems Improvement Formula Grant -			
Drug Law Enforcement Program	16.579	N.A.	<u>28,577</u>
Total Department of Justice			<u>405,560</u>
U.S. Department of Transportation-			
Passed through the Arkansas Highway Transportation Department-			
Federal Transit Administration Grant-			
Operating and Capital	20.507	AR90X039	<u>537,621</u>
Total U.S. Department of Transportation			<u>537,621</u>
U.S. Department of the Interior, National Parks Service-			
Passed through the National Trust for Historic Preservation,			
Arkansas Historic Preservation-			
NPS Grant - Historic Preservation Program	15.904	101-02-9502-97-01	<u>67,106</u>
Total U.S. Department of the Interior			<u>67,106</u>
Department of Commerce-			
Economic Development Act			
Title IX SSEED	11.307	08-19-03188	<u>52,972</u>
Total Department of Commerce			<u>52,972</u>
Federal Emergency Management Agency-			
Passed through the Arkansas Office of Emergency Services-			
FEMA - Hazard Mitigation Grant	83.548	1111DRARHM	<u>246,877</u>
Total Federal Emergency Management Agency			<u>246,877</u>
Total Federal Awards			<u>2,301,862</u>

N.A. - not available

The accompanying Notes to the Schedule of Expenditures of Federal and State Awards are an integral part of this statement.



City of Fort Smith, Arkansas

Schedule of Expenditures of Federal and State Awards  
For the Year Ended December 31, 2000  
(Continued)

<u>Granting Agency/Grant Program</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
STATE AWARDS:			
Arkansas Department of Pollution Control and Ecology – Solid Waste Management and Recycling Grant Fund Program-			
Equipment, Education, Market Development, and Administration	N/A	S3-96, S5-96	\$ 4,095
Equipment, Education, Market Development, and Administration	N/A	S1-98, 2-98	8,570
Equipment, Education, Market Development, and Administration	N/A	S1-99, 2-99, 3-99, 5-99 Adm, 6-99	98,380
Equipment, Education, Market Development, and Administration	N/A	S00-00 Adm, 5-00	9,364
Illegal Dump Site Cleanup	N/A	N.A.	<u>287</u>
Total Arkansas Department of Pollution Control and Ecology			<u>120,696</u>
Department of Arkansas Heritage-			
CLG Grant - Historic Preservation Program	N/A	CLG98-03	4,000
CLG Grant - Historic Preservation Program	N/A	CLG00-02	643
Arkansas Historic Preservation Program	N/A	99EI02	<u>2,000</u>
Total Department of Arkansas Heritage			<u>6,643</u>
Arkansas Department of Economic Development (ADED)-			
Economic Development Grants-			
Gerber Products	N/A	EIF 9707	893,550
Hickory Springs	N/A	EIF 200019	30,000
Beverly Infrastructure	N/A	N.A.	<u>12,671</u>
Total Arkansas Industrial Development Commission			<u>936,221</u>
Arkansas Department of Parks & Tourism-			
LWCF – CAC Playground Equipment	N/A	A-102270705B	<u>59,557</u>
Total Arkansas Department of Parks & Tourism			<u>59,557</u>
Total State Awards			<u>1,123,117</u>
Total Federal and State Awards			<u>\$3,424,979</u>

N.A. - not available

The accompanying Notes to the Schedule of Expenditures of Federal and State Awards are an integral part of this statement.

## City of Fort Smith, Arkansas

### Notes to Schedule of Expenditures of Federal and State Awards December 31, 2000

#### 1. Scope of Audit Pursuant to OMB Circular A-133:

All federal and state financial award programs of the City of Fort Smith, Arkansas (the "City"), are included in the scope of the OMB Circular A-133 audit (the "single audit"). For purposes of this report, awards include those received from other agencies, the original source of which was a federal or state agency. The Schedule of Expenditures of Federal and State Awards does not include the Airport Commission's federal and state financial award programs.

The single audit was performed in accordance with the provisions of the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments (the "Compliance Supplement"), issued in March 2000. Compliance testing was performed for the City's major programs specified below.

#### 2. Organization and Accounting Policies:

The City is the recipient of certain federal and state grant funds. The grant programs are administered by various departments within the City. The activities of these organizations are monitored by City staff to ensure compliance with the requirements of the underlying grants.

The accounting policies of the City conform to generally accepted accounting principles for local government units as prescribed by the Government Accounting Standards Board.

#### 3. Summary of Significant Accounting Policies:

##### Basis of Accounting

The grant accounts are maintained and the accompanying Schedule of Expenditures of Federal and State Awards has been prepared on the modified accrual basis. Grant revenues are recognized when eligible grant expenditures are incurred.

#### 4. Major Programs:

The City has the following major federal and state programs:

<u>Federal CFDA/Grant Number</u>	<u>Program Name</u>
Federal-	
14.239	HOME Investment Partnership Act
16.710	COPS Universal Hiring Award
20.507	Federal Transit Administration Grant – Operating and Capital
State-	
EIF9707	Economic Development Grants - Gerber Products

**City of Fort Smith, Arkansas**

**Notes to Schedule of Expenditures of Federal and State Awards  
December 31, 2000**

**5. Relationship to Federal and State Financial Reports:**

Amounts reported in the accompanying Schedule of Expenditures of Federal and State Awards may not agree with the amounts reported in the related federal and state financial reports filed with grantor agencies because of accruals which would be included in the next report filed with the agencies.

**6. Litigation:**

In the course of business, a number of claims and lawsuits arise from individuals seeking compensation for personal injury, death, and/or property damage resulting from accidents occurring in the City. In addition, the City has been named as a defendant in a number of lawsuits relating to personnel and contractual matters. Management does not believe that the outcome of these claims will have a material adverse effect on the City's financial position.

**7. Commitments and Contingencies:**

The City participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at December 2000, may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants.

**8. Schedule of Current and Prior Year Findings of Noncompliance:**

The schedule of findings and questioned costs, including the summary of auditors' results is disclosed on Schedule I. There was one material instance of noncompliance noted in connection with the 2000 single audit. There were no findings of noncompliance in connection with the 1999 single audit.

## City of Fort Smith, Arkansas

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2000Section I. SUMMARY OF THE AUDITOR'S RESULTS:*Financial Statements*Type of auditor's report issued: *unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   x   no
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   x   none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes   x   no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   x   no
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   x   none reported

Type of auditor's report issued on compliance for major programs: *qualified*

- Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133   x   yes \_\_\_\_\_ no

The following grants were tested as major federal and state grants:

<u>Federal CFDA/Grant Number</u>	<u>Program Name</u>
Federal-	
14.239	HOME Investment Partnership Act
16.710	COPS Universal Hiring Award
20.507	Federal Transit Administration Grant – Operating and Capital
State-	
EIF9707	Economic Development Grants - Gerber Products

The dollar threshold used to distinguish between Type A and Type B programs, as described in Section .520(b), is \$300,000.

The City qualified as a "low risk" auditee under Section .530.

## City of Fort Smith, Arkansas

**Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2000**

Section II. FINANCIAL STATEMENT FINDINGS:

There were no findings relating to the general purpose financial statements which are required to be reported in accordance with Government Auditing Standards. However, we have noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated May 1, 2001.

Section III. FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS:

There were material findings or questioned costs for federal and state awards for the year ended December 31, 2000, as listed below:

Item 00-01

<u>Federal CFDA</u>	<u>Program Name</u>	<u>Award Number</u>
16.710	Department of Justice – COPS Universal Hiring Award ("COPS")	95CCWX0110

The COPS grant provides funding for "the payment of salaries and approved fringe benefits." Fringe benefits include those that "are part of a reasonable compensation package" including "FICA, Social Security, health insurance, life insurance, vacation, sick leave, retirement, worker's compensation, and unemployment insurance." We tested payroll-related items for five of the ten officers covered under this grant. Of the five officers tested, we noted one officer with questioned costs in the amount of \$16,060 for fiscal year 2000 attributable to employees donating hours of their own sick time for the benefit of this employee and do not constitute eligible expenditures. The questioned costs for fiscal year 2000 referred to above, along with amounts incurred and charged to the grant for previous years, will be deducted from future grant reimbursement requests until the full amount of questioned costs and accrued interest for all years has been repaid as agreed to by the City management and appropriate Department of Justice officials.

Table 1

## City of Fort Smith, Arkansas

**General Government Expenditures by Function (1) And (2)**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Community Services</u>	<u>Other</u>	<u>Debt Service</u>	<u>Total</u>
1991	\$2,028,870	\$ 7,471,771	\$15,291,390	\$ 678,778	\$2,544,571	\$ 275,605	\$28,290,985
1992	\$2,360,753	\$ 7,993,596	\$11,717,454	\$ 786,999	\$2,660,852	\$ 281,500	\$25,801,154
1993	\$2,412,384	\$ 8,196,871	\$10,998,716	\$1,108,863	\$2,239,107	\$ 278,650	\$25,234,591
1994	\$2,395,054	\$ 8,739,092	\$17,284,148	\$ 998,413	\$2,476,217	\$ -	\$31,892,924
1995	\$2,726,919	\$11,773,614	\$18,725,616	\$ 921,353	\$1,117,311	\$ -	\$35,264,813
1996	\$2,861,021	\$13,334,796	\$16,336,109	\$1,637,082	\$1,524,650	\$ -	\$35,693,658
1997	\$3,016,803	\$14,298,925	\$16,823,329	\$1,390,933	\$1,707,646	\$ 252,333	\$37,489,969
1998	\$3,091,735	\$15,235,568	\$15,406,557	\$1,981,055	\$1,242,962	\$4,240,216	\$41,198,093
1999	\$3,542,767	\$16,893,976	\$15,180,628	\$2,105,136	\$1,749,246	\$7,485,305	\$46,957,058
2000	\$4,105,006	\$19,895,794	\$13,312,097	\$2,411,123	\$1,332,628	\$7,998,421	\$49,055,069

(1) Includes General, Special Revenue, and Debt Service Funds.

(2) This schedule excludes General Fund and Special Revenue Fund capital outlays.

## City of Fort Smith, Arkansas

General Revenue by Source (1)  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Taxes (2)	Sales Tax (3)	Licenses and Permits	Inter-Governmental	Fines and Forfeitures	Fees for Services	Interest	Other (4)	Total
1991	\$ 8,850,685	\$ 9,654,332	\$1,127,617	\$ 6,109,939	\$1,138,698	\$219,897	\$ 504,633	\$ 770,074	\$28,375,875
1992	\$ 9,057,950	\$10,424,648	\$1,139,200	\$ 6,426,944	\$1,066,939	\$216,682	\$ 304,778	\$ 613,748	\$29,250,889
1993	\$ 9,555,985	\$11,552,563	\$1,193,378	\$ 8,152,456	\$1,157,541	\$215,485	\$ 391,956	\$ 579,642	\$32,799,006
1994	\$ 9,354,105	\$14,049,584	\$ 603,368	\$ 7,850,023	\$1,313,112	\$221,095	\$ 660,320	\$ 758,061	\$34,809,668
1995	\$ 9,457,431	\$18,481,174	\$ 642,665	\$ 7,614,332	\$1,585,493	\$255,280	\$1,016,993	\$ 797,690	\$39,851,058
1996	\$ 9,487,379	\$19,451,766	\$ 737,199	\$ 8,341,274	\$1,758,333	\$262,531	\$1,096,542	\$ 810,202	\$41,945,226
1997	\$ 9,972,921	\$19,732,421	\$ 718,234	\$ 7,757,251	\$1,835,552	\$286,989	\$1,279,268	\$ 776,068	\$42,358,704
1998	\$10,268,710	\$26,599,219	\$ 819,234	\$ 9,828,021	\$1,757,023	\$384,289	\$1,511,836	\$1,639,154	\$52,807,486
1999	\$10,467,904	\$29,121,222	\$1,001,801	\$10,977,226	\$1,694,367	\$329,352	\$1,830,242	\$ 922,715	\$56,344,829
2000	\$11,299,993	\$35,805,269	\$1,197,326	\$10,513,059	\$1,720,211	\$340,266	\$2,659,402	\$ 993,271	\$64,528,797

(1) Includes General, Special Revenue, and Debt Service Funds.

(2) Includes taxes and utility franchise fees.

(3) The City began collecting the 1% City sales tax in November 1985, the ½% City sales tax in January 1998, and the 1% County sales tax in August 1994.

(4) Includes contributions and miscellaneous revenues.

Table 3

## City of Fort Smith, Arkansas

Property Tax Levies and Collections  
Last Ten Fiscal Years  
(Unaudited)

<u>Fiscal Year</u>	<u>Total Tax Levy (1)</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collections</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Collection Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as a Percent of Current Levy</u>
1991	\$ 4,776,893	\$ 4,599,490	96.29%	\$158,105	\$4,757,595	99.60%	\$182,120	3.81%
1992	\$ 4,971,677	\$ 4,762,800	95.80%	\$200,103	\$4,962,903	99.82%	\$179,987	3.62%
1993	\$ 4,971,677	\$ 4,860,126	97.76%	\$200,206	\$5,060,332	101.78%	\$187,649	3.77%
1994	\$ 4,815,548	\$ 4,697,860	97.56%	\$200,754	\$4,898,614	101.72%	\$149,673	3.11%
1995	\$ 5,013,613	\$ 4,914,796	98.03%	\$161,378	\$5,076,174	101.25%	\$139,330	2.78%
1996	\$ 5,333,661	\$ 5,188,597	97.28%	\$145,282	\$5,333,879	100.00%	\$178,399	3.34%
1997	\$ 5,724,797	\$ 5,532,859	96.65%	\$195,923	\$5,728,782	100.07%	\$221,049	3.86%
1998	\$ 5,794,689	\$ 5,622,468	97.03%	\$173,623	\$5,796,091	100.02%	\$227,176	3.92%
1999	\$ 5,925,809	\$ 5,829,854	98.38%	\$181,543	\$6,011,397	101.44%	\$237,037	4.00%
2000	\$ 6,460,708	\$ 6,158,209	95.32%	\$ 29,427	\$6,187,636	95.77%	\$233,346	3.61%

(1) Total Tax Levy is based upon assessed valuation of the previous year.



Table 4

## City of Fort Smith, Arkansas

**Assessed and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year (1)	Real Property		Personal Property		Total		Ratio of Total Assessed to Total Estimated Actual
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1991	\$408,550,169	\$2,042,750,845	\$177,785,538	\$ 888,927,690	\$586,335,707	\$2,931,678,535	20%
1992	\$422,928,404	\$2,114,642,020	\$176,190,454	\$ 880,952,270	\$599,118,858	\$2,995,594,290	20%
1993	\$437,652,596	\$2,188,262,980	\$179,787,756	\$ 898,938,780	\$617,440,352	\$3,087,201,760	20%
1994	\$449,615,226	\$2,248,076,130	\$185,078,434	\$ 925,392,170	\$634,693,660	\$3,173,468,300	20%
1995	\$467,705,956	\$2,338,529,780	\$207,064,714	\$1,035,323,570	\$674,770,670	\$3,373,853,350	20%
1996	\$500,702,647	\$2,503,513,235	\$220,326,778	\$1,101,633,890	\$721,029,425	\$3,605,147,125	20%
1997	\$506,220,849	\$2,531,104,245	\$225,555,162	\$1,127,775,810	\$731,776,011	\$3,658,880,055	20%
1998	\$522,018,450	\$2,610,092,250	\$239,096,910	\$1,195,484,550	\$761,115,360	\$3,805,576,800	20%
1999	\$535,068,911	\$2,675,344,555	\$245,708,442	\$1,228,542,210	\$780,777,353	\$3,903,886,765	20%
2000	\$607,508,450	\$3,037,542,250	\$262,110,959	\$1,310,554,795	\$869,619,409	\$4,348,097,045	20%

(1) Fiscal year is year of valuation.

This Page Intentionally Left Blank.

## City of Fort Smith, Arkansas

**Direct Property Tax Rates and Tax Levies**  
**All Direct and Overlapping Governments**  
**Last Ten Fiscal Years**  
**(Unaudited)**

TAX RATES (Per \$100 of Assessed Valuation):

Fiscal Year (1)	City of Fort Smith		Sebastian County		Fort Smith School District		Fort Smith Library	
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property
1991	.750	.750	.800	.800	3.650	3.650	.100	.100
1992	.750	.750	.800	.800	3.650	3.650	.100	.100
1993	.700	.700	.800	.800	3.650	3.650	.100	.100
1994	.700	.700	.800	.800	3.650	3.650	.100	.100
1995	.700	.700	.800	.800	3.650	3.650	.100	.100
1996	.700	.700	.800	.800	3.650	3.650	.100	.100
1997	.700	.700	.800	.800	3.650	3.650	.100	.100
1998	.700	.700	.800	.800	3.650	3.650	.100	.100
1999	.700	.700	.800	.800	3.650	3.650	.100	.100
2000	.700	.700	.800	.800	3.650	3.650	.100	.100

TAX LEVIES (Millages):

Fiscal Year (1)	City of Fort Smith		Sebastian County		Fort Smith School District		Fort Smith Library	
	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property	Real Property	Personal Property
1991	7.50	7.50	8.00	8.00	36.50	36.50	1.00	1.00
1992	7.50	7.50	8.00	8.00	36.50	36.50	1.00	1.00
1993	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
1994	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
1995	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
1996	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
1997	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
1998	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
1999	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00
2000	7.00	7.00	8.00	8.00	36.50	36.50	1.00	1.00

(1) Fiscal year is year of levy.

(Continued on following page)

## City of Fort Smith, Arkansas

**Direct Property Tax Rates and Tax Levies**  
**All Direct and Overlapping Governments**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Westark Community College		Total	
<u>Real Property</u>	<u>Personal Property</u>	<u>Real Property</u>	<u>Personal Property</u>
.525	.525	5.825	5.825
.525	.525	5.825	5.825
.525	.525	5.775	5.775
.525	.525	5.775	5.775
.525	.525	5.775	5.775
.525	.525	5.775	5.775
.525	.525	5.775	5.775
.525	.525	5.775	5.775
.525	.525	5.775	5.775

Westark Community College		Total	
<u>Real Property</u>	<u>Personal Property</u>	<u>Real Property</u>	<u>Personal Property</u>
5.25	5.25	58.25	58.25
5.25	5.25	58.25	58.25
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75
5.25	5.25	57.75	57.75

(Continued)

## City of Fort Smith, Arkansas

**Special Assessment Collections**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>Current Assessment Due</u>	<u>Current Assessment Collected</u>	<u>Ratio of Collections to Amount Due</u>	<u>Total Outstanding Current and Delinquent Assessments</u>
1991	\$ 9,218	\$ 6,264	67.95%	\$ 12,401
1992 (1)	\$ -	\$ -	-	\$ 11,466
1993	\$ -	\$ -	-	\$ -
1994	\$ -	\$ -	-	\$ -
1995	\$ -	\$ -	-	\$ -
1996	\$ -	\$ -	-	\$ -
1997	\$ -	\$ -	-	\$ -
1998	\$ -	\$ -	-	\$ -
1999	\$ -	\$ -	-	\$ -
2000	\$ -	\$ -	-	\$ -

- (1) The levy of assessments against property owners within the Executive Park Street Improvement District was terminated by the adoption of Ordinance No. 47-92 dated July 21, 1992. Therefore, there was no current assessment due for 1992 and the remaining balance of assessments outstanding represents unpaid assessments from prior years.

Table 7

## City of Fort Smith, Arkansas

Ratio of Net General Bonded Debt  
to Assessed Value and Net Bonded Debt Per Capita  
Last Ten Fiscal Years  
(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value (2)</u>	<u>Gross Bonded Debt (1)</u>	<u>Less Debt Service Funds (3)</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1991	72,798	\$586,336	\$515,000	\$142,369	\$372,631	.06%	\$ 5.12
1992	72,798	\$599,119	\$265,000	\$148,202	\$116,798	.02%	\$ 1.60
1993	72,798	\$617,440	\$ -	\$ -	\$ -	-	\$ -
1994	72,798	\$634,694	\$ -	\$ -	\$ -	-	\$ -
1995	72,798	\$674,771	\$ -	\$ -	\$ -	-	\$ -
1996	72,798	\$721,029	\$ -	\$ -	\$ -	-	\$ -
1997	72,798	\$731,776	\$ -	\$ -	\$ -	-	\$ -
1998	72,798	\$761,115	\$ -	\$ -	\$ -	-	\$ -
1999	72,798	\$780,777	\$ -	\$ -	\$ -	-	\$ -
2000	80,268	\$869,619	\$ -	\$ -	\$ -	-	\$ -

(1) Includes General Obligation Bonds only.

(2) From Table 4 (in 000's).

(3) Amount available for repayment of General Obligation Bonds.

Table 8

## City of Fort Smith, Arkansas

Computation of Legal Debt Margin  
Last Ten Fiscal Years  
(Unaudited)

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Net assessed value (1)	\$586,335,707	\$599,118,858	\$617,440,352	\$634,693,660
Plus exempt property	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
Total assessed value	<u>\$586,335,707</u>	<u>\$599,118,858</u>	<u>\$617,440,352</u>	<u>\$634,693,660</u>
Debt limit - 25% of total assessed value (3)	\$146,583,927	\$149,779,115	\$154,360,088	\$158,673,415
Amount of debt applicable to limit (4)	<u>372,631</u>	<u>116,798</u>	<u>-</u>	<u>-</u>
Debt margin	<u>\$146,211,296</u>	<u>\$149,662,317</u>	<u>\$154,360,088</u>	<u>\$158,673,415</u>

(1) From Table 4.

(2) Not available.

(3) Limitation is established by State Statute.

(4) Includes General Obligation Debt net of assets available for bond retirement. See Table 7.

(Continued on following page)

Table 8

## City of Fort Smith, Arkansas

Computation of Legal Debt Margin  
Last Ten Fiscal Years  
(Unaudited)

<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
\$674,770,670	\$721,029,425	\$731,776,011	\$761,115,360	\$780,777,353	\$869,619,409
<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>	<u>(2)</u>
<u>\$674,770,670</u>	<u>\$721,029,425</u>	<u>\$731,776,011</u>	<u>\$761,115,360</u>	<u>\$780,777,353</u>	<u>\$869,619,409</u>
\$168,692,668	\$180,257,356	\$182,944,003	\$190,278,840	\$195,194,338	\$217,404,852
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$168,692,668</u>	<u>\$180,257,356</u>	<u>\$182,944,003</u>	<u>\$190,278,840</u>	<u>\$195,194,338</u>	<u>\$217,404,852</u>

(Continued)



## City of Fort Smith, Arkansas

**Computation of Direct and Overlapping Debt**  
**December 31, 2000**  
**(Unaudited)**

<u>Jurisdiction</u>	<u>Net Debt Outstanding (1)</u>	<u>Percentage Applicable to the City of Fort Smith (2)</u>	<u>Amount Applicable to the City of Fort Smith</u>
City of Fort Smith (3)	\$31,710,000	100%	\$31,710,000
Fort Smith School District	\$ 455,000	95%	432,250
Sebastian County	\$ 844,000	76%	<u>641,440</u>
Total			<u>\$32,783,690</u>

(1) Net debt outstanding refers to principal only.

(2) The percentage applicable to the City of Fort Smith is based on the relative assessed values within the City of Fort Smith.

(3) Includes only government debt of the City.

Table 10

## City of Fort Smith, Arkansas

**Ratio of Annual Debt Service Expenditures for  
General Bonded Debt to Total General Expenditures (1)  
Last Ten Fiscal Years  
(Unaudited)**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total Expenditures (2)</u>	<u>Ratio of Debt Service Expenditures To Total Expenditures (Percent)</u>
1991	\$ 230,000	\$ 45,605	\$ 275,605	\$28,290,985	.97%
1992	\$ 250,000	\$ 31,500	\$ 281,500	\$25,801,154	1.09%
1993	\$ 265,000	\$ 13,640	\$ 278,640	\$25,234,591	1.10%
1994	\$ -	\$ -	\$ -	\$31,892,924	-
1995	\$ -	\$ -	\$ -	\$35,264,813	-
1996	\$ -	\$ -	\$ -	\$35,693,658	-
1997	\$ -	\$ 252,333	\$ 252,333	\$37,489,969	.07%
1998	\$2,100,000	\$2,140,216	\$4,240,216	\$41,198,093	10.29%
1999	\$5,520,000	\$1,965,305	\$7,485,305	\$46,957,058	15.94%
2000	\$6,325,000	\$1,673,421	\$7,998,421	\$49,055,069	16.30%

(1) Includes General, Special Revenue, and Debt Service Funds.

(2) From Table 1.

## City of Fort Smith, Arkansas

Revenue Bond Debt Service Coverage  
Last Ten Fiscal Years  
(Unaudited)

	<u>Fiscal Year</u>	<u>Revenue (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>
Water and Sewer System	1991	\$12,913,361	\$ 7,504,641	\$5,408,720
	1992	\$12,838,399	\$ 8,377,522	\$4,460,877
	1993	\$13,383,908	\$ 8,839,580	\$4,544,328
	1994	\$13,583,316	\$ 8,771,983	\$4,811,333
	1995	\$13,916,768	\$ 9,614,955	\$4,301,813
	1996	\$14,233,369	\$10,395,390	\$3,837,979
	1997	\$14,109,692	\$10,787,499	\$3,322,193
	1998	\$14,595,971	\$11,178,704	\$3,417,267
	1999	\$17,666,495	\$11,906,342	\$5,760,153
	2000	\$23,046,282	\$12,557,120	\$10,489,162
Solid Waste System	1991	\$ 4,422,905	\$ 3,603,001	\$ 819,904
	1992	\$ 4,935,237	\$ 4,245,900	\$ 689,337
	1993	\$ 5,689,923	\$ 4,225,254	\$1,464,669
	1994	\$ 6,532,027	\$ 4,844,436	\$1,687,591
	1995	\$ 7,161,396	\$ 5,244,807	\$1,916,589
	1996	\$ 7,253,381	\$ 5,305,828	\$1,947,553
	1997	\$ 7,305,144	\$ 5,819,320	\$1,485,824
	1998	\$ 7,489,476	\$ 5,967,537	\$1,521,939
	1999	\$ 8,220,315	\$ 6,533,853	\$1,686,462
	2000	\$10,155,226	\$ 7,134,530	\$3,020,696

(1) For purposes of this schedule, revenue includes operating revenue and interest revenue.

(2) Excludes depreciation expense and amortization expense.

(3) No principal payments required in these years.

(4) Total interest paid for the fiscal year is presented in this schedule including capitalized interest.

(Continued on following page)

## City of Fort Smith, Arkansas

**Revenue Bond Debt Service Coverage**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Principal</u>	<u>Debt Service Requirements</u>		<u>Coverage</u>
	<u>Interest (4)</u>	<u>Total</u>	
\$ 955,000	\$1,612,278	\$2,567,278	211%
\$1,005,000	\$1,592,593	\$2,597,593	172%
\$1,060,000	\$1,504,925	\$2,564,925	177%
\$ 545,000	\$1,883,279	\$2,428,279	198%
\$ 765,000	\$1,740,437	\$2,505,437	172%
\$1,040,000	\$1,417,850	\$2,457,850	156%
\$1,080,000	\$1,373,600	\$2,453,600	135%
\$1,125,000	\$1,325,023	\$2,450,023	139%
\$1,170,000	\$1,610,697	\$2,780,697	207%
\$2,055,000	\$2,561,255	\$4,616,255	227%
\$ -	\$ -	\$ -	-%
\$ -	\$ -	\$ -	-%
\$ -	\$ 134,151	\$ 134,151	1,092% (3)
\$ -	\$ 246,052	\$ 246,052	686% (3)
\$ 485,000	\$ 613,738	\$1,098,738	174%
\$ 505,000	\$ 698,718	\$1,203,718	162%
\$ 525,000	\$ 674,991	\$1,199,991	124%
\$ 450,000	\$ 617,605	\$1,067,605	143%
\$ 610,000	\$ 555,378	\$1,165,378	145%
\$ 635,000	\$ 528,529	\$1,163,529	260%

(Continued)

Table 12

## City of Fort Smith, Arkansas

**Property Value, Construction and Bank Deposits**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	Property Value (in thousands) (2)	Commercial Construction (1)		Residential Construction (1)		Bank (in thousands)
		Number of Units	Value	Number of Units	Value	
1991	\$2,042,751	37	\$15,007,256	156	\$12,413,781	(3)
1992	\$2,114,642	37	\$11,792,319	180	\$15,724,790	(3)
1993	\$2,188,263	52	\$22,340,871	197	\$21,440,868	(3)
1994	\$2,235,098	48	\$22,546,203	128	\$14,687,860	(3)
1995	\$2,324,053	57	\$21,221,234	193	\$18,809,705	(3)
1996	\$2,503,513	44	\$21,868,896	254	\$29,424,394	(3)
1997	\$2,514,333	48	\$20,233,050	195	\$17,778,640	(3)
1998	\$2,610,092	60	\$60,970,776	234	\$23,183,003	(3)
1999	\$2,675,345	76	\$51,386,195	269	\$37,904,702	(3)
2000	\$3,037,542	88	\$32,890,175	209	\$27,388,944	(3)

(1) City of Fort Smith Building Department Estimate.

(2) From Table 4.

(3) Not available.

Table 13

## City of Fort Smith, Arkansas

Principal Taxpayers  
December 31, 2000  
(Unaudited)

<u>Name of Taxpayer (1)</u>	<u>Kind of Property</u>	<u>2000 Assessed Valuation (2)</u>	<u>Percentage of Total Assessed Valuation</u>
Oklahoma Gas & Electric Co.	Electric Utility	\$12,125,372	1.55%
Whirlpool Corp.	Refrigeration Products Manufacturing Warehouse	11,805,530	1.51
Gerber Products	Baby Food Processing Plant	10,791,660	1.38
Beverly Enterprises	Office Complex	9,715,245	1.24
Wal-Mart	Retail Shopping Center	8,787,845	1.13
Southwestern Bell	Telecommunications	8,002,659	1.02
CMFS Limited Partnership (Central Mall)	Retail Shopping Center	6,714,260	.86
Planters Lifesavers	Peanut Processing Plant	6,183,065	.79
Hiram Walker	Cordials Industry	5,974,840	.77
Arkansas Best Corporation	Office Complex	<u>5,818,415</u>	<u>.75</u>
	Total	<u>\$85,918,891</u>	<u>11.00%</u>

(1) Sebastian County Assessor's Office.

(2) Property taxes collected in 2000 are based upon 1999 assessed valuation.

Table 14

## City of Fort Smith, Arkansas

Insurance in Force  
December 31, 2000  
(Unaudited)

<u>Insurance Company</u>	<u>Premium</u>	<u>Policy No.</u>	<u>Expiration Date</u>
Coregis Insurance Co. (Fleet)	\$134,988	651-009454	06/19/01
Coregis Insurance Co. (Sanitation)	\$ 72,928	651-009453	06/19/01
Coregis Insurance Co. (Transit)	\$ 10,220	651-009452	06/19/01
Coregis Insurance Co. (Property)	\$118,251	651-011043	08/05/01
First Specialty Insurance Co. (Convention Center)	\$ 9,568	PGL37136	01/22/02
Old Republic Surety Co. (R-O-W-CC)	\$ 250	LSC-1037206	04/11/02
Old Republic Surety Co. (R-O-W)	\$ 2,500	LSC-0821592	02/10/02
Essex Insurance Company (Deployer)	\$ 2,600	3CD7889	02/02/02
CGU (Port Authority – 100 Navy Rd)	\$ 1,312	QER494046	03/14/02
Commercial Union (Port Authority - 200 Navy Rd)	\$ 5,747	CER192692	12/04/01
Arkansas Insurance Department	\$ 3,868	Not Applicable	12/31/01
Coregis Insurance Co. (Bridge)	\$ 1,149	CAP5430485	05/26/01
Coregis Insurance Co. (Fine Arts)	\$ 1,500	651-011043	08/05/01

(Continued on following page)

Table 14

## City of Fort Smith, Arkansas

Insurance in Force  
December 31, 2000  
(Unaudited)

Coverage	Amount or Limit
Vehicle liability with extended coverage and uninsured motorist medical and physical	Actual Cash Value up to \$ 100,000 per loss
Roll-off trucks liability with extended coverage and uninsured motorist medical and physical	Actual Cash Value up to \$1,000,000 per loss
Transit buses liability with extended coverage and uninsured motorist medical and Physical	Actual Cash Value up to \$1,000,000 per loss
Property coverage/inland marine/boiler & machinery coverage	Actual Cash Value (Limit of \$133,984,151)
Comprehensive general liability convention center	\$ 1,000,000 Combined
Arkansas Highway Department right-of-way bond	\$ 25,000
Arkansas Highway Department right-of-way bond	\$ 50,000
Enviro cover & deployer support unit – general liability	\$ 1,000,000
Property and comprehensive general liability – Port Authority (100 Navy Rd.)	\$378,200 Combined
Property and comprehensive general liability – Port Authority (200 Navy Rd.)	\$1,592,300 Combined
Municipal officials and employees blanket bond	\$ 250,000
General liability coverage – land beneath Garrison Avenue Bridge (including parking)	\$ 1,000,000
Fine arts property coverage – Convention Center	\$ 500,000



Table 15

## City of Fort Smith, Arkansas

Demographic Statistics  
Last Ten Fiscal Years  
(Unaudited)

<u>Fiscal Year</u>	<u>City Population</u>	<u>Sebastian County Population</u>	<u>Per Capita Income (4)</u>	<u>Median Age (1)</u>	<u>Education Level in Years of Schooling (1)</u>	<u>School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>
1991	72,798	99,590	\$13,524	32.5	12.2	12,361	7.4%
1992	72,798	99,590	\$14,296	34.4	12.2	12,361	7.2%
1993	72,798	99,590	\$15,168	34.4	12.2	12,601	4.7%
1994	72,798	99,590	\$15,939	34.4	12.2	12,514	4.7%
1995	72,798	99,590	\$15,276	34.4	12.2	12,570	4.5%
1996	72,798	99,590	\$16,057	34.4	12.2	12,763	5.0%
1997	72,798	99,590	\$16,661	34.4	12.2	12,741	4.7%
1998	72,798	99,590	\$17,116	34.4	12.2	12,496	4.3%
1999	72,798	99,590	\$17,495	34.4	12.2	12,430	3.3%
2000	80,268	115,071	(5)	34.4	12.2	12,637	3.6%

(1) Community Development Department's Estimate.

(2) Fort Smith School District.

(3) Arkansas Employment Security Division.

(4) Chamber of Commerce.

(5) Not available.

## City of Fort Smith, Arkansas

**Miscellaneous Statistical Data**  
**December 31, 2000**  
**(Unaudited)**

Form of Government	City Administrator
Area	53.64 square miles
Date of Incorporation	December 24, 1842
Miles of Streets	541 miles
Number of Street Lights	5,383
Number of Traffic Signals	124
Fire Protection:	
Number of stations	10
Number of firefighters and officers (exclusive of volunteer firefighters)	128
Police Protection:	
Number of stations	1
Number of police members and officers	151
Municipal Water Department:	
Number of consumers	28,883
Average daily production capacity	45,000,000 gallons
Average daily production	29,511,000 gallons
Maximum average daily consumption	48,686,000 gallons
Miles of water main	576 miles
Sewers:	
Sanitary sewers	481 miles
Storm sewers	7,900
Average daily sewage flow	16,900,000 gallons
Building Permits Issued	2,487
Recreation and Culture:	
Number of parks	18 with 291.78 acres
Number of libraries	3 (one main, three branch)
Number of volumes	230,000
Employees:	
Exempt	115
Nonexempt	<u>712</u>
Total employees	<u>827</u>

## City of Fort Smith, Arkansas

Principal Employers by Number of Employees  
December 31, 2000  
(Unaudited)

Company	Business or Product	Number of Employees
Whirlpool Corporation	Ice makers, refrigerators	4,575
O K Foods	Frozen processed chicken parts	4,500
Sparks Health System	Hospital	2,800
Baldor Electric	Grinders, drives, electric motors	1,711
St. Edward Mercy Medical Center	Hospital	1,703
Rheem-Ruud	Residential heat/air equipment	1,651
Fort Smith Public Schools	Education	1,599
Riverside Furniture	Wooden upholstered furniture, sofas	1,325
Beverly Enterprises	Nursing homes	870
Trane Company	Air conditioning equipment, heat pumps	850
City of Fort Smith	Government	827
Arkansas Best	Transportation industry	800
Cooper Clinic	Medical clinic	725
Gerber Products	Baby foods; infant cereal	651
Westark College	Educational Institution	610

Source: Fort Smith Chamber of Commerce

Table 18

## City of Fort Smith, Arkansas

**Local Sales and Use Tax Collections**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>1% City Sales &amp; Use Tax Allocated for Streets (1)</u>	<u>1% City Sales &amp; Use Tax Allocated for Lee Creek Water Project (2)</u>	<u>City Share 1% County Sales &amp; Use Tax (3)</u>	<u>1/2% City Sales &amp; Use Tax Allocated for Bonds (4)</u>	<u>Total</u>
1991	\$ 9,654,332	\$ 9,654,332	\$ -	\$ -	\$ 19,308,664
1992	10,424,649	10,424,649	-	-	20,849,298
1993	11,552,565	2,803,197	-	-	14,355,762
1994	12,431,109	-	2,839,430	-	15,270,539
1995	12,472,680	-	10,072,904	-	22,545,584
1996	13,379,605	-	10,652,914	-	24,032,519
1997	13,504,781	-	10,925,683	-	24,430,464
1998	13,936,617	-	11,243,858	6,253,603	31,434,078
1999	14,689,273	-	11,812,187	7,344,637	33,846,097
2000	<u>15,453,552</u>	<u>-</u>	<u>12,624,941</u>	<u>7,726,776</u>	<u>35,805,269</u>
Total	<u>\$127,499,163</u>	<u>\$22,882,178</u>	<u>\$70,171,917</u>	<u>\$21,325,016</u>	<u>\$241,878,274</u>

- (1) The 1% City Sales & Use Tax allocated for construction, repair and maintenance of streets, bridges, and associated drainage improvements was initially assessed in 1985 for a period of 10 years. The tax was reaffirmed by the citizens in 1995 for an additional 10 years. The tax is accounted for in the Sales Tax Fund, a special revenue fund.
- (2) The 1% City Sales & Use Tax allocated to redeem the City of Fort Smith Sales & Use Tax Bonds, Series 1988, was the financing method for construction of the Lee Creek Water Impoundment Project. The collection of the special assessment began January 1, 1989, and ended February 28, 1993, when the bonds were redeemed in full.
- (3) Sebastian County began assessing a 1% Sales & Use Tax August 1, 1994. The City receives a share of the tax based upon its population within Sebastian County. The City allocates its share as follows: 57% to the General Fund, 33% to the Water and Sewer Fund, and 10% to the Sanitation Fund.
- (4) The 1/2% City Sales and Use Tax allocated to redeem the City of Fort Smith Sales and Use Tax Bonds, Series 1997 is the financing method for the construction of the civic center, public library, and riverfront park projects. The tax became effective January 1, 1998.

## City of Fort Smith, Arkansas

**Solid Waste System Statistics**  
**December 31, 2000**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>Sanitation System Customers</u>	<u>Cubic Yardage of Waste at Landfill</u>	<u>Useful Life of Landfill Remaining</u>	<u>Remaining Storage Capacity at Landfill</u>
1993	212,910	993,173	20 years	13,387,000 cubic yards
1994	215,980	957,374	19 years	12,907,000 cubic yards
1995	219,075	979,533	18 years	12,417,000 cubic yards
1996	220,150	1,076,172	17 years	11,857,000 cubic yards
1997	221,300	1,175,821	16 years	11,357,000 cubic yards
1998	223,480	1,160,034	15 years	10,907,000 cubic yards
1999	272,616	1,369,106	14 years	10,550,000 cubic yards
2000	236,376	1,106,718	13 years	9,790,000 cubic yards

This Page Left Blank Intentionally.



**Independent Auditors' Report on  
Compliance with Arkansas State Statutes**

To the Honorable Mayor,  
Board of Directors and City Administrator,  
City of Fort Smith, Arkansas:

We have audited the general purpose financial statements of the City of Fort Smith, Arkansas (the "City"), as of and for the year ended December 31, 2000, and have issued our report thereon dated May 1, 2001. As part of our audit, we made a study and evaluation of the City's internal control (including the practices and procedures required by the following Arkansas state statutes: Municipal Accounting Law, Act 159 of 1973, Municipal Court, and Police Department, Act 332 of 1977, Bonding of Municipal Officers and Employees, Act 728 of 1987 and Act 319 of 1993, Improvement Contract over \$10,000, Act 159 of 1949, Budgets, Purchases over \$2,000, Payments of Claims, Etc., Act 28 of 1959, Investment of Public Funds, Act 273 of 1943 and Act 106 of 1973, Deposit of Public Funds, Act 21 of 1935, Act 57 of 1945 and Act 107 of 1973), to the extent we considered necessary to evaluate the internal control as required by auditing standards generally accepted in the United States.

In planning and performing our audit of the general purpose financial statements of the City for the year ended December 31, 2000, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and to report on internal control in accordance with OMB Circular A-133.

The management of the City is responsible for establishing and maintaining internal control and the practices and procedures referred to in the first paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control of the policies and procedures referred to in the first paragraph. The objectives of internal control and the practices and procedures referred to above are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with accounting principles generally accepted in the United States. Because of inherent limitations in any internal control and the practices and procedures referred to above, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the practices and procedures referred to above, we obtained an understanding of the design of the relevant policies and procedures and whether they have been placed in operation, and we assessed control risk. Our procedures were less in scope than would be necessary to render an opinion on these internal control policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of internal control would not necessarily disclose all matters in the internal control that might constitute a material weakness under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving internal control and its operation that we have reported to the management of the City in a separate letter dated May 1, 2001.

This report is intended solely for the information of management and the Arkansas General Assembly, and is not intended to be and should not be used by anyone other than these specified parties.

*Arthur Andersen LLP*

Dallas, Texas,  
May 1, 2001



This Page Intentionally Left Blank.